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Preliminary report on the working of the scheme of 1877 — " — 78–87.

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SELECTION OF DECENTRALIZATION PAPERS.

INAUGURATION OF THE SCHEME OF PROVINCIAL SERVICES.

No. 3334, dated Fort William, the 14th December 1870. I.

Resolution by the Government of India, Financial Department.

Accounts.

Objects of the scheme of Provincial Services, 1871.

THE Governor-General in Council is satisfied that it is desirable to enlarge the powers and responsibility of the Governments of Presidencies and Provinces in respect to the public expenditure in some of the Civil Departments.

2. Under the present system, these Governments have little liberty, and but few motives, for economy in their expenditure: it lies with the Government of India to control the growth of charges, to meet which it has to raise the revenue. The local Governments are deeply interested in the welfare of the people confided to their care; and, not knowing the requirements of other parts of the country, or of the Empire as a whole, they are liable, in their anxiety for administrative progress, to allow too little weight to fiscal considerations. On the other hand, the Supreme Government, as responsible for the general financial safety, is obliged to reject many demands in themselves deserving of all encouragement, and is not always able to distribute satisfactorily the resources actually available.

3. Thus it happens that the Supreme and local Governments regard from different points of view measures involving expenditure; and the division of responsibility being ill defined, there occur conflicts of opinion injurious to the public service. In order to avoid these conflicts, it is expedient that, as far as possible, the obligation to find the funds necessary for administrative improvements should rest upon the authority whose immediate duty it is to devise such measures.

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4. This is the more important because existing Imperial resources will not suffice for the growing wants of the country. Writing of roads and communications in October 1869, the Government of India in the Public Works Department stated that it had for some years

> "been satisfied that to attempt to provide and maintain all the roads required for the inter-communications of so vast a territory from the ordinary revenues would be to enter on an altogether impracticable task. The matter," it was added, "has been before this Government on several occasions since 1862, and the view now taken of it has already received, in general terms, the approval of the Secretary of State. It is only by a judicious system of local assessment and control that what is needed can be accomplished."

This is not less true of some other departments of the administration.

5. The Supreme Government is not in a position to understand fully local requirements, nor has it the knowledge necessary for the successful development of local resources. Each province has special wants of its own, and may have means for supplying them which could not be appropriated for Imperial purposes. A tax adapted to the circumstances of one part of the country may be distasteful or inapplicable elsewhere; and, everywhere, rates may be proper for provincial or local purposes, which could not be taken for the Imperial revenue.

6. These principles are now generally recognized, and important steps have been already taken to develop Provincial resources. The Government of Bombay has for some years raised a considerable revenue for local purposes. Important measures to the same intent are under the consideration of the Legislative Council of Madras. The Government of Bengal is maturing a scheme, in accordance with the decision of the Secretary of State, for the levy of a rate for local objects in the Lower Provinces of Bengal. In all the other provinces of India, Provincial revenues have long been raised, and measures for increasing them are now being devised.

7. These measures have been promoted chiefly to provide for urgent administrative wants, the means for which are not otherwise forthcoming. It is inexpedient that the funds so raised should be intercepted to any considerable extent for objects the cost of which has been hitherto defrayed from the general revenues, even though such objects

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be of an admittedly local character. Moreover, the Governor-General in Council is not desirous that the demands on the people for Provincial purposes should be indefinitely or too rapidly increased.

8. It would have been satisfactory had His Excellency in Council been able to propose the enlargement of the power and responsibility of the local Governments without charging upon local resources any part of the existing Imperial expenditure. This cannot be done; but it has been determined to make as small a demand upon these resources as possible. At the same time it should be remembered that the relief of the Imperial finances has been a principal object in the discussion of such measures on former occasions.

9. The income-tax of six pies in the rupee imposed for the current year was never intended to be permanent, and the Governor-General in Council has already announced a resolution not to renew the tax for next year at this high rate unless some unforeseen contingency compels him to do so.

10. It was thought at first that the income-tax could not be reduced to the desired extent without imposing upon local resources almost as large a sum as might be given up. Anticipations made so long before the beginning of the financial year must be uncertain; but, as far as the Governor-General in Council can now judge, it will be possible next year to give substantial relief from existing taxation without the substitution of any considerable new burden.

Certain departments entrusted to Provincial management, with their receipts, supplemented by permanent assignments.

11. The Government of India is accordingly pleased to make over to the Governments, under certain conditions to be presently set forth, the following departments of the administration, in which they may be supposed to take special interest; and to grant permanently, from the Imperial revenue, for these services the sum of £4,688,711, being less by £330,801 only than the assignments made for the same services in 1870-71 :—

JAILS.	PRINTING.
REGISTRATION.	ROADS.
POLICE.	MISCELLANEOUS PUBLIC IMPROVEMENTS.
EDUCATION.	CIVIL BUILDINGS.
MEDICAL SERVICES (except "*Medical Establishments.*"*)	

* By "*Medical Establishments*" here is meant the first subdivision of the Grant 22, MEDICAL SERVICES, as hitherto made.

I—contd.

A statement (A) is appended explanatory of the method by which the assignments to be thus made have been calculated. This statement shows the estimated receipts and charges under the first six of these heads during the current year, the "Police" charges in Bombay and the North-Western Provinces having been slightly reduced by the final adjustments necessary in consequence of the Government becoming liable for the superannuation allowances of the force.

12. The figures entered for "Roads," "Civil Buildings," and "Miscellaneous Public Improvements," are the grants for this year, exclusive of the sum of £135,679 reserved for certain works detailed in Appendix B, which will not in future be a charge upon local Governments, but will be separately provided for by the Supreme Government. The portion of this £135,679 reserved in each province bears the same proportion to the grant made to the province for the current year that the expenditure in the province, upon the reserved works, has borne during the last five years to the whole expenditure under these three heads.

13. To the £1,168,701 thus assigned for "works," £327,236 has been added for "establishments" and "tools and plant," being the proportion of the current year's grants for these purposes which appertains to that share of the total grants for "works" of all kinds which is transferred. This £327,236 has been distributed among the presidencies and provinces in the proportions in which the larger sum of £1,168,701 has been distributed. The Governments will henceforth provide themselves with "tools and plant" without the intervention of the Government of India. The future arrangements in regard to "establishments" cannot be settled without detailed correspondence. For the year 1871-72 the Supreme Government will continue to provide "establishments" as heretofore, and each presidency or province must bear a share of the cost in the proportion which the estimated outlay upon "works" from Provincial Funds* bears to the total estimated outlay upon "works," ordinary and extraordinary, Imperial and Provincial, in all India. It is to be clearly understood that local Governments must maintain in efficient repair existing lines of through communication, such as the trunk roads, unless authorized by the Supreme Government to abandon them.

* NOTE.—"Provincial Funds" here does not include existing "local funds."

I—contd. Allotments for Provincial Services.

14. The actual permanent Imperial assignments for "Provincial Services" will be then as follows, all receipts heretofore credited in connection with these services being given up to the provinces in which they accrue:—

	£
Oudh	206,948
Central Provinces	261,263
Burmah	275,332
Bengal	1,168,592
North-Western Provinces	640,792
Punjab	516,221
Madras	739,488
Bombay	880,075
	£4,688,711*

15. In calculating these allotments, £350,000 has been deducted rateably from the grants made to the several provinces in 1870-71. But it has been thought expedient to remit the deduction (£19,199) which would thus fall upon British Burmah, the circumstances of that province being exceptional. No additional deduction has been made from the other provinces in consequence of this concession to Burmah.

Opening of a new head, "Provincial Services."

16. These assignments will not be classified in the financial statement and in the Imperial estimates and accounts, but will appear under a single new head, "Provincial Services." The Imperial revenue will continue to bear such charges for the absentee and superannuation allowances of officers on establishments now transferred as have hitherto appeared in the Home accounts, or under other heads in the Indian accounts. But it would be inconvenient and difficult to maintain any distinction between these officers and officers who are paid from other local funds, or who may be added hereafter for "Provincial Services." Questions of some importance regarding this and other like details will have to be settled hereafter.

Permanency of the allotments.

17. Unless some fiscal misfortune, such as a heavy loss in the opium revenue, or national disaster, such as war or severe famine, occurs, the Governor-General in Council will maintain for the future the assignments for "Provincial Services" at the amounts now fixed. They will not in any

* NOTE.—If it be found, when the accounts of the year 1870-71 are made up, that the actual expenditure during that year for the official postage of the services affected exceeds the amount of the grants for that purpose, then the several assignments will be once for all increased by the difference.

I—contd.

case be reduced without previous consultation with the Governments.

Allotments distributable at discretion.

18. For the coming year the Provincial Service estimates should be immediately prepared upon the basis of these assignments, which may be distributed at the discretion of the Governments among the several departments for which they will now be responsible. Any portion of the assignment made to any province that may be unspent at the end of the year will not lapse to the Imperial revenue, but will remain at the disposal of the local Government. The estimates and accounts of these Governments should therefore open and close with balances brought and carried forward. They should show not only the receipts and charges of the new "Provincial Services," but also the income and expenditure of all existing local funds; it being understood of course that the Governments are not relieved by this resolution from any legal or equitable obligation which may govern the appropriation of any particular local fund. It is essential that the estimates and accounts of all the presidencies and provinces should be uniform, and the precise forms to be used will be settled by the Supreme Government. The Imperial financial year must be the Provincial year of account.

Unspent balances to remain at the disposal of the local Governments.

The Provincial Services estimates to include local funds.

Yearly estimates and accounts to be published in the local Gazette, together with a financial exposition.

19. Each local Government will publish its own yearly estimates and accounts in the local *Gazette*, together with a financial exposition (which should, where possible, be made before the local Legislative Council) analogous to that annually made in the Legislative Council of the Governor-General. The several estimates and accounts will be compiled, and a general statement for all India published as a supplement to the Imperial estimates and accounts.

20. In preparing its estimates for the coming year, each Government will have to consider without delay how any deficiency in the ways and means for its "Provincial Services" can most conveniently be supplied.

Financial conditions of the scheme of Provincial Services.

21. The financial control which is thus entrusted to the local Governments is to be exercised subject to the following conditions:*—

I.—Without the previous sanction of the Government of India—

(1) No appointment is to be created with a salary of more than Rs. 250 a month; and no addition is to be made

* It must be understood that these conditions are prescribed for the present tentatively, and that they are subject to revision as experience may require.

to the pay and allowances of any officer if they exceed, or would, after the addition, exceed Rs. 250 a month: I—contd.

(2) No *class* or *grade* of officers is to be created or abolished, and the pay of no *class* or *grade* of officers is to be raised:

(3) No addition is to be made to the pay or allowances of any individual, or class of officers, that would lead to increase in the emoluments of any public servants doing duty in the same province whose pay and allowances are charged to the Imperial revenues. The Government of India reserves to itself the right to forbid alterations in rates of pay or allowances, which, in its opinion, would produce inconvenience in other provinces:

(4) No moneys are to be removed from the public treasuries for investment:

(5) No services now rendered to other departments at the charge of the departments made over to the control of the local Governments are to be diminished; and no services now rendered to these departments at the charge of other departments are to be increased.

II.—The rules of the Supreme Government in respect to leave of absence and absentee, deputation, and superannuation allowances are to be observed.

III.—Returns, accounts, and estimates are to be submitted to the Supreme Government in such forms, and at such times, as may be prescribed.

Further general policy of the scheme.

22. The Governor-General in Council is fully aware that this Resolution will effect a wide change in Indian administration. It has been adopted after long and careful consideration, in the hope that it will be received by the Governments in the spirit in which it is promulgated. The Governor-General in Council believes that it will produce greater care and economy, that it will import an element of certainty into the fiscal system which has hitherto been absent, and that it will lead to more harmony in action and feeling between the Supreme and the Provincial Governments than has heretofore prevailed.

23. But beyond all this, there is a greater and wider object in view. Local interest, supervision, and care are necessary to success in the management of funds devoted to education, sanitation, medical charity, and local public works. The operation of this Resolution in its full meaning and integrity will afford opportunities for the development of self-government, for strengthening municipal institutions,

I—contd.

and for the association of Natives and Europeans to a greater extent than heretofore in the administration of affairs.

24. The Governor-General in Council is aware of the difficulties attending the practical adoption of these principles. But they are not insurmountable. Disappointments and partial failures may occur: but the object in view being the instruction of many peoples and races in a good system of administration, His Excellency in Council is fully convinced that the local Governments and all their subordinates will enlist the active assistance, or, at all events, the sympathy, of many classes who have hitherto taken little or no part in the work of social and material advancement.

Restrictions on administrative responsibility.

25. The additional powers of financial control which will now be assumed by the Governments must be accompanied by a corresponding increase of administrative responsibility. It is the desire of the Governor-General in Council to confine the interference of the Supreme Government in India in the administration of the "Provincial Services" to what is necessary for the discharge of that responsibility which the Viceroy in Council owes to the Queen and her responsible advisers, and for the purpose of securing adherence to the financial conditions now prescribed, and to the general policy of the Government of India.

26. The procedure of the departments of "Registration," "Jails," and "Police" is to a large extent governed by law. No law exists upon the subject of "Education," but the policy of the Government has been declared and prescribed in despatches* from the Secretary of State, the authority of which, and of the rules sanctioned by the Government of India regarding "grants-in-aid" and other matters of general principle, is not affected by this Resolution.

* Such as No. 49, dated 19th July 1854.
„ 4, „ 7th April 1859.
„ 1, „ 23rd January 1864.
„ 5, „ 12th May 1870.

27. Subject to these general restrictions, the Governments will henceforth enjoy full liberty in the expenditure of the funds appropriated to "Provincial Services." It must, however, be understood that in thus divesting himself of control, the Governor-General in Council divests himself also to a large extent of his former responsibility. If responsibility for expenditure is retained, control cannot be renounced.

28. The Governor-General in Council delegates to the local Governments this large additional share of administrative power without hesitation or distrust, believing that it will be exercised with wisdom, liberality, and prudence. I—contd.

ORDERED that copies of this Resolution be forwarded—

1*st.*—To each local Government, with the intimation that, subject to the approval of the Secretary of State, complete effect will be given to the Resolution in the coming year, and that local Governments should at once make all their arrangements in anticipation of this sanction.

2*nd.*—To the Home and Public Works Departments for information and for any further orders that may be necessary in those departments. The Public Works Department must adjust its estimates for the coming year in conformity with the orders herein contained.

3*rd.*—To the Controller-General for information. He is requested, with reference to paragraph 18, to submit a form of estimates and accounts for general use. He will be good enough also to issue to Accountants-General any subsidiary instructions that he may think necessary.

R. B. CHAPMAN,
Offg. Secy. to the Government of India.

I—contd.

APPEN

Statement showing how the Permanent Assignments have been calculated

Assignments to be made for "Provincial Services" in accordance Department, No. 3334,

	Grants, 1870-71.								
	Jails.	Registration.	Police.	Education.	Medical services (except Medical Establishment).	Printing.	Roads and Miscellaneous Public Improvements	Civil Buildings.	Proportion of "Public Works Establishments."
	£	£	£	£	£	£	£	£	£
Oudh	26,922	.....	103,269	26,056	5,499	7,609	32,900	20,090	13,777
Central Provinces ..	27,881	3,509	130,607	27,864	11,770	3,640	63,403	14,406	20,230
British Burmah	32,777	.....	139,253	10,998	6,460	3,000	63,000	23,959	22,635
Bengal	218,210	36,609	555,757	234,385	89,713	41,732	157,800	111,370	69,984
North-Western Provinces	88,394	20,129	348,135	103,528	27,607	25,302	82,636	63,341	37,954
Punjab	58,204	11,623	289,959	64,909	24,935	14,100	84,200	39,710	32,217
Madras	91,983	22,970	350,730	90,052	61,696	25,840	123,880	58,506	47,421
Bombay	78,440	25,372	388,703	118,271	74,852	27,050	121,900	107,500	59,644
Total .	617,811	120,212	2,306,409	676,063	302,532	148,279	729,819	438,882	303,862

DIX A. I—contd.

with the Resolution of the Government of India in the Financial dated 14*th December* 1870.

Proportion of "Tools & Plant"	Estimated Receipts, 1870-71							Total Net Assignment, 1870-71	Proportion of £350,000	Permanent Assignment now made.
	Total	Jails.	Registration.	Police.	Education	Printing.	Total			
£	£	£	£	£	£	£	£	£	£	£
1,960	237,182	1,575	. .	10,586	1,482	1,080	14,723	222,459	15,511	206,948
1,556	304,866	6,000	5,500	12,520	.. .	..	24,020	280,846	19,583	261,263
1,741	303,923	9,420	.. ..	18,671	500	. . ..	28,591	275,332	19,199	275,332
5,383	1,520,943	110,385	40,000	70,303	42,012	2,000	264,700	1,256,183	87,591	1,168,592
2,920	799,046	11,154	35,030	51,730	11,050	2,160	111,124	688,822	48,030	640,792
2,478	622,332	.. ...	20,694	41,724	5,000		67,418	554,914	38,693	516,221
3,648	876,726	7,300	34,000	32,350	6,900	1,260	81,810	794,916	55,428	739,488
4,588	1,001,325	664	30,141	14,000	10,480		55,285	946,040	65,965	880,075
23,374	5,667,243	146,498	165,365	251,944	77,424	6,500	647,731	5,019,512	350,000	4,688,711

I—concld.

APPENDIX B.

Statement of the works reserved as Imperial

Schedule of works for which separate Funds will be hereafter provided from the Imperial Revenue.

Buildings and offices of the following departments:—
- Opium (not including the Board of Revenue's office in Calcutta).
- Mint and Currency.
- Post Office.
- Telegraph.

Offices of the Supreme Government.
Viceregal residences.
Imperial Museum,
Stamp and Stationery Office,
Surveyor-General's Office,
Treasury Buildings,
Bishop's Palace,
} Calcutta.
Godavery works
Kurrachee Harbour Improvement
} Reserved as Imperial for the present.
Such Military roads as have been, till the current year, provided for from the grant for "Military works."

II.

No. 1649, dated Fort William, the 20th March 1871.

Resolution by the Government of India, Financial Department.

Accounts.

READ again:—

Financial Resolution No. 3334, dated 14th December 1870, allotting to local Governments specific sums for various Provincial Services.

Special allotment for an opening balance

RESOLUTION.—To enable the local Governments to inaugurate successfully the scheme set forth in the above-mentioned Resolution, the Governor-General in Council has

II—concld.

determined to make a special allotment of funds to begin with, in addition to the regular allotment that will be made year by year for the next and subsequent years. The regular annual allotments have been made on the basis of the budget grant for 1870-71. But as savings have been effected in the current year on these grants, aggregating perhaps £200,000 (though the precise amount cannot be stated with certainty), His Excellency in Council is pleased to allow a special allotment of that amount from the resources of this year, and to distribute it ratcably among the local Governments in the following proportions:—

	£	£
Oudh	9,399	
Central Provinces	11,994	
British Burmah	...	
Bengal	53,287	
North-Western Provinces	28,246	
Punjab	23,521	
Madras	33,467	
Bombay	40,086	
		200,000

III.

No. 1659, dated Fort William, the 20th March 1871.
Resolution by the Government of India, Financial Department.

Accounts.

RESOLUTION.—Consequent on the transfer to "Provincial Services" of the expenditure appertaining to Police, Education, Jails, Civil Buildings, &c., the Governor-General in Council considers it proper to transfer likewise to those services, on the basis of the Financial Resolution No. 3334, dated 14th December 1870, the charge for Petty Construction and Repair of Buildings, in the Civil Department, excepting the Opium Department, Bengal, and the Salt Department outside the Lower Provinces of Bengal.

III—contd.

Imperial assignment for charges for petty construction and petty repairs of buildings.

2. This necessitates the following additions to the allotment for Provincial Services for 1870-71:—

	Land Revenue	Excise.	Customs (exclusive of Inland Customs in Bengal Presidency.)	Salt.	Stamps	Administration. Commissioners	Minor Departments.	Law and Justice.	Political Agencies.	Total.
	£	£	£	£	£	£	£	£	£	£
Oudh	252	447	.....	...	...	....	...	..	...	699
Central Provinces	879	450	.....	..	...	..	...	449	...	1,778
British Burmah	220	..	..	..	...	115	..	85	...	420
Bengal	1,876	2,197	228	20	..	33	60	2,094	...	6,508
North-Western Provinces	526	1,829	. ...	...	80	20		100	..	2,555
Punjab	1,255	382	.. ..	...	..	.....		271	...	1,908
Madras	600	...	200	..	...	... ..	250			1,050
Bombay	2,000	...	350	..	...	.	200	700	800	4,050
Total .	7,608	5,305	778	20	80	168	510	3,699	800	18,968

Transfer of additional items of Medical Services

3. His Excellency in Council is also pleased to transfer to the same head of service all medical services other than the consolidated pay of medical officers;—that is to say, the substantive salary of a medical officer, covenanted, uncovenanted, and warrant, in medical charge of a civil station on any of the consolidated salaries authorized in Financial Notifications dated 25th April 1867, Nos. 2294 and 2295, together with the extra allowance to a regimental medical officer for the additional medical charge of a civil station, will be retained in the Imperial grant for medical services, while all travelling allowances, and the following charges, will be paid from the grant for Provincial Services, viz.—

Salaries of medical officers of medical colleges and central jails, and of lunatic asylums at the Presidency towns.

Extra allowances to medical officers for the medical charge of lunatic asylums in the mofussil, and of colleges, central jails, &c.; also extra allowances for the executive charge of jails.

Charges for sub-assistant surgeons and apothecaries employed in other than the civil medical charge of the sudder stations of districts, and for all other subordinate medical establishments.

Assignment for additional items of Medical Services.

4. On this account the following sums have been added to the allotment for Provincial Services, and the corresponding items, so far as they are included in the Imperial

estimates for 1871-72, have been struck out from the grant for medical services for that year, viz.— III—contd.

	Bengal.	North-Western Provinces.	Punjab.	Central Provinces.	British Burmah.	Oudh.	Madras.	Bombay.	Total.
	£	£	£	£	£	£	£	£	£
Sub-Assistant Surgeons and Apothecaries, not being in medical charge of any civil stations which constitute regular medical charges for Covenanted or Uncovenanted Medical Officers ...	1,980	816	...	Assistant to Civil Surgeon. 240	98	180	2,234	...	5,548
Allowance to Medical Officers for charge of District Police, and of educational institutions	125	840	331	.....	60	120	...	..	1,476
Allowance for charge of jails ...	...	2,000	1,710	1,260	360	1,380	2,250	...	9,960
Native Medical Establishment, including native doctors, compounders, dressers, and other hospital servants	1,211	124	618	67	19	...	2,429	6,600	11,068
Bazar medicines, house-rent, cost of opium and Europe medicines, miscellaneous items, and purchase of service stamps	1,741	166	169	.....	63	53	468	1,700	4,360
Travelling allowances	1,592	678	...	200	145	406	210	200	3,431
Postage stamps	...	...	...	.....	...	...	6	...	6
Total ...	6,649	5,624	2,828	1,767	745	2,139	7,597	8,500	35,849

Additional assignment for Official Postage.

5. Discrepancies between the budget estimate for official postage and the larger amounts which have been charged in the course of the year have arisen from the imposition for the first time (since the budget estimates for 1870-71 were framed) of a charge for official correspondence within districts, and partly from a misunderstanding of the rules under which despatches are allowed to be sent by packet post. This misunderstanding, which has how been rectified, raised the charges in 1870-71 abnormally, so that they cannot properly be taken as a basis for the permanent assignment. The permanent allowance to Provincial Services for postage is fixed, therefore, in accordance with the estimates of the Post Office department for 1871-72. The difference between the estimate for 1870-71, which is already included in the assignment of 14th December 1870 for

III—contd. Provincial Services, and the estimate for 1871-72, is accordingly added to that assignment as follows:—

Official Postage.

	Budget.			
	1870-71.	1871-72.	Increase.	Decrease.
Oudh.	£	£	£	£
Registration	...	...	...	...
Jails	125	91	...	34
Police	...	1,434	1,434	...
Education	204	200	...	4
Medical	...	...	...	...
Printing	45	200	155	...
Total ...	374	1,925	1,589	38
Net addition ...	...	...	1,551	...
Central Provinces.				
Registration	193	300	107	...
Jails	165	1,000	835	...
Police	853	4,410	3,557	...
Education	166	300	134	...
Medical	...	210	210	...
Printing	...	250	250	...
Total ...	1,377	6,470	5,093	...
Net addition ...	...	...	5,093	...
British Burmah.				
Registration	...	...	...	...
Jails	68	125	57	...
Police	287	161	...	126
Education	18	...	...	18
Medical	...	7	7	...
Printing	...	...	...	...
Total ...	373	293	64	144
Net decrease (not deducted from assignments) ...	...	...	...	80
Bengal.				
Registration	1,189	595	...	594
Jails	1,210	800	...	410
Police	3,815	9,314	5,499	...
Education	215	140	...	75
Medical	7	69	62	...
Printing	89	500	411	...
Total ...	6,525	11,418	5,972	1,079
Net addition ...	...	...	4,893	...
North-Western Provinces.				
Registration	166	300	134	...
Jails	375	195	...	180
Police	887	10,615	9,728	...
Education	94	125	31	...
Medical	88	124	36	...
Printing	409	1,500	1,091	...
Total ...	2,019	12,859	11,020	180
Net addition ...	...	...	10,840	...

III—concld.

	Budget.			
	1870-71.	1871-72.	Increase.	Decrease.
Punjab.	£	£	£	£
Registration	483	85	...	398
Jails	506	247	...	259
Police	1,000	9,866	8,866	.
Education	670	381	...	289
Medical	20	220	200	...
Printing	335	246	...	89
Total ...	3,014	11,045	9,066	1,035
Net addition ...	...	...	8,031	...
Madras.				
Registration	508	300	...	208
Jails	320	175	. .	153
Police	3,458	7,614	4,156	...
Education	497	200	...	297
Medical	105	280	175	...
Printing	210	700	490	...
Total ...	5,106	9,269	4,821	658
Net addition ...	...	...	4,163	...
Bombay.				
Registration	632	130	...	502
Jails	612	406	...	206
Police	4,663	7,524	2,861	...
Education	697	900	203	...
Medical	142	617	475	...
Printing	880	2,360	1,480	...
Total ...	7,626	11,937	5,019	708
Net addition ...	...	...	4,311	...

IV.

No. 1587, dated Fort William, the 21st March 1871.

Resolution by the Government of India, Financial Department.

Expenditure.

Read the following correspondence:—

Home Department's Memorandum No. 817, dated 27th December 1870, enquiring how much of an increase of Rs. 31,152 a year, which has been sanctioned in the Foreign Department for the Police on the Chittagong Hill Frontier, is included in the budget grant for the current year for the Bengal mofussil police.

Home Department's Endorsement No. 46 of 23rd January 1871, on a letter from the Bengal Government and a communication from the Foreign Department, reporting that the sum of Rs. 31,152 above mentioned represents only the bare pay of the force, and is not in supersession of any part of the sum of Rs. 20,385 at present paid for "other fixed establishments and contingencies."

IV—contd.

Home Department's Memorandum No. 113, dated 4th March 1871, forwarding a letter from the Government of Bengal, dated 10th February 1871, reporting that the cost of extra police to be maintained for the Sylhet and Cachar Frontier for the year 1871-72 will amount to Rs. 27,799, which sum must be added to the amount of Rs. 31,152 on account of the Chittagong Hill Frontier Police in order to arrive at the aggregate for which provision extra to the current year's police grant must be made in the allotment for Provincial Services.

Additional assignment of Rs 10,913 for Police.

RESOLUTION.—In proceeding to answer the enquiry of the Home Department, it is necessary to premise that in the revisions of police charge which were successively reported by the Bengal Government, official postage, on the large scale on which it has been incurred in the current year, was not provided for. In the orders noted on the margin, it was ruled that from next year official postage should be met from the amount of annual police charge proposed in the final revision which was reported by the Bengal Government in its letter No. 2025, dated 27th April 1870.

Financial Resolution No 1947 of 14th July 1870.
Financial Resolution No. 4126, dated 14th October 1870.

2. It has since been determined, however, to make up, by means of a special addition to the total allotment for Provincial Services, the net difference between the budget estimate of 1871-72 for official postage for the Civil Services that have been transferred and the amount of the original budget estimate of 1870-71 for that item. The limits of police charge to be now considered in the following observations are exclusive therefore of special provision for extra official postage.

3. In paragraph 2 of the order in the Home Department, No. 28, dated 12th January 1870, the Bengal Government was informed that the annual charge of the Bengal mofussil police was to be kept within 45 lakhs "exclusive of any additional police in Cachar or the Chittagong Hill Tracts, in excess of the number now entertained, should the defence of the Hill Frontier call for any such addition."

4. Referring to the foregoing passage in the Home Department's order No. 28 of 12th January 1870, the Inspector-General of Police reported, in his letter No. 592, dated 4th February 1870, that 262 men were then serving on the Cachar and Sylhet and the Chittagong Hill Frontier on an annual pay of Rs. 37,080,* and

	Pay exclusive of clothing.
	Rs.
* 182 on the Cachar and Sylhet Frontier ..	24,420
80 Chittagong Hill Tracts ..	12,660
262	37,080

that they had been temporarily supplied by drafts from that part of the reserve or excess police force in other districts which would be lopped off in the reductions necessary for bringing down the ordinary expenditure to 45 lakhs. **IV**—contd.

5. A preliminary budget estimate, which formed the basis of the police budget grant for 1870-71, was submitted with the Bengal Government's letter No. 633, dated 8th February 1870, in which the Chittagong Hill Frontier and other Frontier Police above mentioned were not shown distinctly, but were included in the gross estimated charge of Rs. 46,26,454 for 1870-71. Through certain abatements* this gross estimate was brought down to a formal estimated charge of 45½ lakhs, which, in the actual expenditure, the Lieutenant-Governor undertook to keep within 45 lakhs a year. The estimate was submitted as one that had been framed in anticipation of the district returns, on receipt of which some alteration in the details would no doubt have to be made.

	Rs.	Rs.
Gross estimate ..		46,26,454
Less—		
Contribution by Darjeeling Municipality ...	11,454	
Stoppages for the police superannuation fund	65,000	76,454
		45,50,000

6. Accordingly two months later, in a letter, No. 2025, dated 27th April 1870, the Bengal Government reported the final estimate of police charge as made after careful local enquiry. The results of this second revision compared as follows with the first revision :—

	Sanctioned scale of 1870-71	First revision in anticipation of district detail.	Second or final revision after careful local enquiry.
	Rs.	Rs.	Rs.
Gross charge	52,03,438	45,84,154	44,67,250
Government contributions to municipal police	42,300	42,300	41,168
Police employed on Chittagong and Sylhet Frontier, including the cost of clothing	Not shown separately.		45,000
Total ...	52,45,738	46,26,454	45,53,418
Deduct—			
Contribution from Darjeeling ...	11,454	11,454	6,456
Stoppages for pension	74,109	65,000	.....
Total ...	85,563	76,454	6,456
GRAND TOTAL ...	51,60,175	45,50,000	45,46,962

IV—concld. The final estimate was accepted; but the budget grant of 45½ lakhs was left unaltered, with a margin in it of Rs. 3,038, which was available for the extra frontier police, over and above the provision of Rs. 45,000 which was specifically entered for that police in the revised estimate. Accordingly, the total provision for the Sylhet, Cachar, and Chittagong Frontier Police in the budget grant for 1870-71 is Rs. 48,038.

7. Hence in adjusting the allotment for Provisional services in conformity with the Bengal Government's application, dated 10th February 1871, for a provision of Rs. 27,799 plus Rs. 31,152, or an aggregate of Rs. 58,951 for the frontier police above mentioned, the sum of Rs. 48,038 already included in the budget grant was deducted, and the remainder, or Rs. 10,913, has been added to the police allotment for Provincial Services, which was made in the circular of 14th December 1870.

8. In making this the addition Governor-General in Council was aware that the budget allotment for the Bengal mofussil police was ample without it; for, 1*stly*, the revised estimate of police charge, amounting to Rs. 45,46,962, is inclusive of a gross pay for police constables and head-constables, which is subject to stoppages for pensions, and the amount of these stoppages, exceeding Rs. 50,000 a year, might fairly have been deducted from the amount of the revised estimate, and consequently from the somewhat larger budget grant for 1870-71, which forms the basis of the allotment for Provincial Services; 2*ndly*, the actual expenditure in the current year for the Bengal mofussil police has been proceeding at a rate which promises a saving of £26,000 from the budget grant.

No 1683, dated Fort William, the 21st March 1871.

V. From—R. B. CHAPMAN, Esq, Secretary to the Government of India, Financial Department,

To—The Secretary to the Government of Bengal.

IN reply to your letters Nos. 44 and 743, dated 5th January and 10th March 1871, I am directed to state that the latter communication was received after the budget estimate for 1871-72 had been settled. There is nothing in it, however, which would have induced the Government

of India to make further additions to the final allotment for Provincial Services beyond those which have been made, and which I am now to recapitulate. V—contd.

2. As explained in Financial Resolution No. 1660, dated 21st March 1871, certain additions have been made for official postage, and for charges for certain medical establishments and allowances, and for petty construction and repair of civil buildings, which have been transferred to Provincial Services since the Resolution of 14th December.

3. On the other hand, the sums noted on the margin, which were included in the resolution of 14th December under Education, have been thrown out on account of the transfer of the receipts and charges of the Calcutta University to the budget estimate of the Government of India.

Retransfer of the receipts and charges of the Calcutta University to the Imperial Government

	£
Charges	5,846
Receipts ...	4,182
Net	1,664

4. Besides these alterations, the following sums have been added to the final allotment for Provincial Services of Bengal, viz.—

Additional assignments under Jails, Police, and Medical Services

£	
9,912	under Jails, for printing establishments and charges of the Alipore Jail.
1,091	for additional police for the Chittagong Hill Frontier, the larger addition which was asked for not being necessary, as explained in a separate resolution.
2,511	for stores supplied by the Military to the Medical Department, viz. £5,100 of gross estimate for 1871-72 on this account (the charge being new, and it not having been included in the budget estimate for 1870-71), less £2,589 of receipts of the Medical College, the General Hospital, and the Lunatic Asylums at Bhowanipore and Dacca, which receipts have hitherto been credited under Miscellaneous, but which are to be credited henceforth under Provincial Services.

5. These additions dispose of the greater part of your two letters under reply. As the allotment for Police exceeds the probable expenditure of the current year by £25,485, it can easily meet the small sums aggregating £1,350, which have been charged by the Military Department for supplies, including casual supplies of stores. Were the question of that allotment to be re-opened for every contingent charge which has been omitted, it would have to be re-considered also for sums which have been allowed in marked excess of the year's expenditure, and for the sum exceeding Rs. 50,000 of stoppages for pensions of constables and head-constables,

V—contd. which has not been deducted from the final estimate of charge of the Bengal Police.

Adjustment of the grant for packing forms, &c., supplied from the Alipore Jail Press.

6. In the letter dated 10th March 1871, there are claimed—

Rs.	
20,000	for packing charges, hitherto borne by the Superintendent of Stationery, but now transferred to the Superintendent of the Alipore Jail Press.
22,000	for medicines.
42,000	Total.

Packing charges not to be recovered for forms supplied from the Alipore Jail Press.

Nothing has been allowed for the first item, but Rs. 51,000 having been allotted for the second, as explained in paragraph 4 of this letter, the allotment more than covers both items. It is understood, of course, that packing charges will not be recovered in future from the departments which may be supplied with forms from the Jail Press.

Comparison of the allotments for 1871-72 with the figures of previous years.

7. A comparison of the allotments for the civil heads of charge that have been transferred to Provincial Services, with the corresponding figures of previous years, and the regular estimate of the current year, may be satisfactory to the Hon'ble the Lieutenant-Governor. From such a comparison it is convenient to exclude official postage, and the charges that have been transferred to Provincial Services since the Financial Resolution of 14th December 1870. Omitting these items, and making the adjustments mentioned in paragraphs 3 and 4 of this letter, the figures of the allotment will, for the purpose in view, be as follows:—

Charges.	Allotment in Resolution of 14th December 1870.	Less. Official Postage.	Less. Transfer of Calcutta University.	Increase per paragraph 4 of this letter.	+ Net increase. — —Net reduction.	Adjusted figure for comparison with previous years.
	£	£	£	£	£	£
Registration	36,609	1,189	.....	.....	— 1,189	35,420
Jails	218,210	1,210	.....	9,912	+ 8,702	226,912
Police	555,757	3,815	.....	1,091	— 2,724	553,033
Education	234,385	215	5,846	.....	— 6,061	228,324
Medical	89,713	7	.....	2,511	+ 2,504	92,217
Printing	41,732	89	.....	.....	— 89	41,643
Total ...	1,176,406	6,525	5,846	13,514	+ 1,143	1,177,549
Receipts—Education ...	42,012	.....	4,182	.....	— 4,182	37,830

8. The figures in the last column may be compared as follow with the charges in previous years, and with the

regular estimate for the current year, exclusive of official postage:— V—contd.

	1865-66.	1867-68	1868-69.	1869-70.	Regular estimate, 1870-71.	Allotment, 1871 72, exclusive of the items excepted in paragraph 7.
Charges.	£	£	£	£	£	£
Jails	157,166	170,027	215,574	213,234	209,933	226,912
Police	542,997	590,534	610,529	584,011	518,926	553,033
Education	156,349	184,532	204,087	210,703	204,455	228,324
Medical	46,385	50,537	50,697	70,464	87,315	92,217
Printing	15,350	27,392	52,414	34,918	35,941	41,643
Registration	23,038	25,171	29,048	30,367	33,255	35,420
Total .	941,285	1,048,193	1,162,349	1,142,697	1,089,628	1,177,549
Receipts.						
Jails	55,115	63,975	108,283	104,030	103,000	110,385
Police	10,860	55,127	74,215	77,173	68,000	70,363
Education	28,118	33,173	37,208	39,050	41,750	37,830
Printing	...		655	2,033	2,200	2,000
Registration	30,123	36,759	37,576	44,993	40,000	40,000
Total ...	124,216	189,034	257,937	267,879	254,950	260,578
Net charge.						
Jails	102,051	106,052	107,291	107,604	106,933	116,527
Police	532,137	535,407	536,314	506,838	450,926	482,670
Education	128,231	151,359	166,879	171,653	162,705	190,494
Medical	46,385	50,537	50,697	70,464	87,315	92,217
Printing	15,350	27,392	51,759	32,885	33,544	39,643
Total ...	824,154	870,747	912,940	889,444	841,423	921,551
Less net receipts of Registration	7,085	11,558	8,528	14,626	6,745	4,580
Net charge	817,069	859,159	904,412	874,818	834,678	916,971

V—concld. In 1868-69 the expenditure for printing was abnormally high. With this exception the net grants, it will be observed, are higher than in any previous year for every service except the Police; and for police the net grant exceeds the regular estimate of the current year by more than £31,000, and there is reason to believe that the actual will be less than the regular estimate. Furthermore, the budget grant for Education for the past few years included a large provision for the new scheme of vernacular education, which was allowed pending the creation of other means of meeting the expenses, and no portion of this exceptional and temporary provision has been deducted, as, in strictness, it might have been from the allotment.

The representations regarding the insufficiency of the Public Works allotment will be separately answered.

VI. No. 1660, dated Fort William, the 21st March 1871.

Resolution by the Government of India, Financial Department.

Accounts.

READ again the following documents :—

Financial Resolution No. 3334, dated 14th December 1870, allotting to local Governments specific sums for various Provincial Services.

Financial Resolution No. 1659, dated 20th March 1871, adding to those allotments other sums for official postage and for charges for petty construction and petty repairs of buildings, and for additional items of medical services which have been transferred to Provincial Services.

Financial letters to Government of North-Western Provinces, No. 1466, dated 10th March 1871, and to the Government of Bengal, No. 1683, dated 21st March 1871, on the allotments for those provinces.

Financial Resolution No. 1587, dated 21st March 1871, regarding the allotment for the Bengal Police.

Revised permanent assignment for 1871-72

RESOLUTION.—The allotments for Provincial Services, as revised in the orders read in this Resolution, are set forth in the following table :—

VI—concld.

	Oudh.	Central Provinces.	British Burmah.	Bengal.	North-Western Provinces.	Punjab.	Madras.	Bombay.	TOTAL.
	£	£	£	£	£	£	£	£	£
Budget grant for the Civil Department per Resolution of 14th December 1870	169,355	205,271	192,488	1,176,406	613,095	463,727	643,271	707,693	4,171,306
ADD—									
Official postage .	1,551	5,093	.....	4,893	10,840	8,031	4,163	4,311	38,882
Transfer from medical services ..	2,139	1,767	745	6,649	5,624	2,833	7,597	8,500	35,849
Transfer of petty construction and repairs of civil buildings ...	699	1,778	420	6,508	2,555	1,908	1,050	4,050	18,968
Other items net ..	.....	..	.....	7,668	1,485	.....	... .	4,600	13,753
					633,599				4,278,758
Deduct transfer of Ajmere charges to Government of India	.....	.....	... ..	.....	28,714	...	.....	.. ..	28,714
Total ..	173,744	213,909	193,653	1,202,124	604,885	476,494	656,081	729,154	4,250,044
DEDUCT—									
Receipts per budget of 1870-71	14,723	24,020	28,591	260,578	109,992	67,418	81,810	55,285	642,417
Net charge in the civil department .	159,021	189,889	165,062	941,546	494,893	409,076	574,271	673,869	3,607,627
Add budget grant for public works per Resolution of 14th December 1870, viz.—									
Roads and miscellaneous public improvements	32,900	63,403	63,100	157,800	82,636	84 200	123,880	121,900	729,819
Civil buildings ..	20,090	14,406	29,959	111,370	63,341	39,710	58,506	107,500	438,882
Proportion of public works establishments	13,777	20,230	22,635	69,984	37,954	32,217	47,421	59,644	303,862
Proportion of tools and plant	1,060	1,556	1,741	5,383	2,920	2,478	3,648	4,588	23,374
Total public works ...	67,827	99,595	111,435	344,537	186,851	158,605	233,455	293,632	1,495,937
Grand total ..	226,848	289,484	276,497	1,286,083	681,744	567,681	807,726	967,501	5,103,564
DEDUCT—									
Proportion of £350,000 ...	15,557	19,853	.....	88,769	46,753	38,931	55,394	66,351	331,038
Revised permanent assignment	211,291	269,631	276,497	1,197,884	634,991	528,750	752,332	901,150	4,772,526
Or in round numbers	211,300	269,600	276,500	1,197,900	635,000	528,800	752,300 India	901,200 . .	4,772,600 26,700
									4,799,300

VII.

Imperial allotments from 1871-72 to 1876-77.

IMPERIAL ALLOTMENTS FROM 1871-72 TO 1876-77.

The following is a detail of the Imperial Allotments for Provincial Services for six years 1871-72 *to* 1876-77.

Number and date of sanctioning orders.	Purposes for which the allotment is made.	Amount. Details.	Amount. Total
	For 1871-72.—*(Actuals.)*	Rs.	Rs.
	Original allotment	.....	1,19,79,000
	Add—		
Financial Department No. 2046, dated 18th March 1872	For Cemetery establishments ...	4,000	
Financial Department No 2153, dated 21st March 1872	„ Compensation for Akra Brick Factory.	28,000	
Financial Department No. 2384, dated 30th March 1872	„ Office and house-rent	82,000	
			1,14,000
			1,20,93,000
	Deduct—		
Financial Department No. 2888, dated 20th December 1871.	For Receipts of Public Works Department	1,07,090	
Financial Department No. 4308, dated 18th October 1871.	„ Transportation charges for convicts	15,000	
Financial Department No. 2898, dated 19th December 1871.	„ Fees for licensing cargo-boats ..	2,600	
			1,24,690
			1,19,69,310
	Special Grants.		
	Add—		
Financial Department No. 2046, dated 18th March 1872	For Calcutta University	60,000	
Financial Department No. 2177, dated 26th March 1872	„ Midnapore Civil Court buildings ..	31,680	
Home Department No. 269, dated 3rd February 1872.	„ Calcutta Small Cause Court building.	2,50,000	
			3,41,680
	Total Assignment for 1871-72 ...	... ..	1,23,09,990
	For 1872-73.—*(Actuals)*		
	Original allotment	.....	1,19,79,000
	Add—		
	Permanent additions in 1871-72 (as above).	1,14,000	
Financial Department No. 2086, dated 30th March 1872.	For miscellaneous services	2,67,070	
Financial Department No. 1110, dated 16th July 1872	For books and publications	7,600	
Financial Department No 1922, dated 20th March 1873.	For ground-rent of Orphan School at Howrah.	266	
			3,88,936
			1,23,67,936
	Deduct—		
	Permanent deduction in 1871-72 (as above).	1,24,690	
Financial Department No. 2971, dated 21st November 1872.	For repairing charges of University ...	5,700	
			1,30,390
			1,22,37,546

VII—contd.

Number and date of sanctioning orders.	Purposes for which the allotment is made.	Amount. Details.	Amount. Total.
		Rs.	Rs.
	Brought forward ...	.....	1,22,37,546
	Add (special grants)—		
Financial Department No. 1982, dated 12th August 1872.	For Burdwan Fever Relief	1,00,000	
Financial Department No. 625, dated 30th June 1873.	„ compensation for Sudder Court buildings.	4,00,000	
Financial Department No. 1480, dated 4th March 1873.	„ capital value of annual rent of Rs. 21,000 for public offices.	4,66,670	9,66,670
			1,32,04,216
	Deduct fractions ...	.....	380
	Total Assignment ...	.....	1,32,03,836
	For 1873-74.—*(Actuals.)*		
	Permanent allotment for 1872-73 as above	.....	1,22,37,546
	Add for—		
Financial Department No. 1482, dated 4th March 1873.	Pay of medical officers in charge of civil stations.	3,85,000	
Financial Department No. 2368, dated 19th April 1873.	Land revenue sub-divisional establishments.	1,00,000	4,85,000
			1,27,22,546
	Deduct—		
Financial Department No. 1480, dated 4th March 1873.	Reduction of rent for public offices ...	21,000	21,000
			1,27,01,546
Financial Department No. 2313, dated 17th April 1873.	Sanctioned allotment for 1873-74 ...	.....	1,27,01,000
	Add for—		
Financial Department No. 1922, dated 20th March 1873.	Ground-rent for Howrah Orphan School	266	
Financial Department No. 232, dated 13th June 1874.	Charges on account of European vagrants.	11,500	
Financial Department No. 1489, dated 28th February 1874.	Ground-rent charges	6,300	18,066
			1,27,19,066
	Deduct—		
Financial Department No. 1319, dated 11th July 1873.	For pay of medical pupils transferred from Provincial Services.	5,400	
Financial Department No. 3707, dated 16th December 1873.	„ pay of medical officers in charge of civil stations retransferred.	3,85,000	3,90,400
			1,23,28,666
	Add (special grant)—		
Financial Department No. 2230, dated 16th August 1873.	For rent of Small Cause Court	.....	14,400
	Total Assignment ...	.....	1,23,43,066
	For 1874-75.—*(Actuals.)*		
	Permanent allotment as above	1,23,28,666	
	Add—		
Financial Department No. 1145, dated 20th June 1873.	Assignment for encouragement of Mahomedan education.	50,000	
		1,23,78,666	
Financial Department No. 2797, dated 6th May 1874.	Sanctioned allotment	.....	1,23,78,000
	Add—		
Financial Department No. 716, dated 30th January 1875.	Grant on account of model farm ...	7,000	
Financial Department No. 160, dated 17th April 1875.	Additional grant for ground-rent ...	1,180	8,180
			1,23,86,180
	Deduct—		
Financial Department No. 5314, dated 31st August 1874.	Reduction of outlay on account of churches and burial grounds.	14,314	
Financial Department No. 266, dated 16th January 1875.	Reduction on account of Assam transferred.	13,30,000	
Financial Department No. 1247, dated 15th January 1875.	For ground rent, Howrah Orphan School	266	13,44,580
	Total Assignment ...	.....	1,10,41,600

VII—concld.

Number and date of sanctioning orders.	Purposes for which the allotment is made.	Amount. Details.	Amount. Total.
	For 1875-76.—*(Actuals.)*	Rs.	Rs.
	Permanent allotment as above deducting fractions of Rs. 1,000.	.....	1,10,41,000
	Add—		
Financial Department No. 1110, dated 31st May 1875.	Grant for the Botanical Gardens ...	52,500	
Financial Department No. 160, dated 17th April 1875.	For ground rents	1,180	
			53,680
			1,10,94,680
	Deduct—		
Financial Department No. 2450, dated 22nd November 1875.	Public Works charges on account of the Salt Department.	13,683	
Financial Department No. 446, dated 26th May 1876.	Assignment on account of light-houses and light-ships, retransferred.	1,769	
Financial Department No. 1508, dated 8th July 1876.	Assignment on account of Town Improvement Fund of Assam.	17,711	
			33,163
	Total Assignment ...	.....	1,10,61,517
	For 1876-77.—*(Actuals.)*		
	Original allotment for 1875-76	.....	1,10,41,000
	Add—		
	For ground rents	1,180	
	„ Botanical Gardens	52,500	
			53,680
			1,10,94,680
	Deduct—		
	The Public Works charges for Salt Department.	.....	13,683
	Accountant-General's estimate to Government of India.	.....	1,10,80,997
	Corrections by Financial Department.		
	Deduct—		
	For Form Store Department	8,034	
	Add—		
	For Exhibitions and Fairs	2,000	
			6,034
	Total Assignment ...	.....	1,10,74,963
	For 1876-77.—*(Actuals.)*		
Financial Department No. 2210, dated 18th April 1876.	Allotment as sanctioned	.....	1,10,75,000
	Add—		
Financial Department No. 691, dated 31st May 1876.	Grant on account of Bankee and Ungool estates.	3,271	
Financial Department No. 3323, dated 10th October 1876.	Cost of the Snake-poison Commission establishment and contingencies.	6,000	
Financial Department No. 62, dated 15th January 1877.	Grant on account of census registers...	49,482	
			58,753
			1,11,33,753
	Deduct—		
Financial Department No. 446, dated 26th May 1876.	Assignment on account of light-houses and light-ships, retransferred.	1,769	
Financial Department No. 1508, dated 8th July 1876.	Assignment for Town Improvement Fund, Assam.	17,711	
Financial Department No. 579, dated 31st January 1877.	Annual cost of lunatics transferred to Tezpore Lunatic Asylum.	2,700	
			22,180
	Total Assignment ...	.....	1,11,11,573

SCHEME OF PROVINCIAL SERVICES—EXPANSION OF, IN 1877.

VIII.

No. 1899, dated Fort William, the 29th March 1877.

From—R. B. CHAPMAN, Esq., Secretary to the Govt. of India, Financial Department,

To—The Secretary to the Government of Bengal.

BY the Resolution of the Government of India in this Department, No. 3334, dated 14th December 1870, and subsequent supplementary orders, the particular administration of certain Services was entrusted to the several Local Governments, with fixed Consolidated Allotments from the Imperial Revenues for their support. The Departmental Receipts connected with these Services were also surrendered to the Local Governments, who were allowed to appropriate to provincial uses any surplus, while they were bound to make good from provincial resources any deficit which might result from their management of the delegated Services.

REVENUES. Additional Revenues and Services transferred to the Government of Bengal.

2. After consideration and consultation with the Hon'ble the Lieutenant-Governor, the Governor-General in Council has now resolved, upon certain conditions stated in this despatch, to surrender and entrust the following additional Revenues and Services to the use, management, and responsibility of the Government of Bengal.

"Excise" Revenue transferred for an annual payment of Rs. 64,00,000 increasing by one lakh a year.

3. The gross *Excise* revenue of Bengal has been as follows:—

	Rs.	
1872-73	57,19,000	
1873-74	58,08,000	
1874-75	56,34,000	(Year of Scarcity.)
1875-76	60,88,000	
1876-77	63,00,000	

4. It is a reasonable expectation that for some time to come this revenue will, without any more particular attention than it now receives, increase by at least a lakh of rupees (net) a year. Accordingly the Governor-General in Council will surrender this revenue to the local Government on condition that an annual increment of Rs. 1,00,000 is contributed to the Imperial Treasury: thus the amount due

VIII—contd. to the Imperial Treasury from the *Excise on Spirits and Drugs* in Bengal will be as follows:—

	Rs.
1877-78	64,00,000
1878-79	65,00,000
1879-80	66,00,000
1880-81	67,00,000
1881-82	68,00,000

Miscellaneous receipts under "Customs" transferred for an annual payment of Rs. 36,000.

5. The revenue from *Sea Customs*, *Imports* and *Exports* will remain Imperial; but there are certain minor items shown as "*Sea Customs Miscellaneous*," and "*Warehouse and Wharf Rents*," which have yielded revenue as follows:—

	Rs.
1872 73	37,000
1873-74	34,000
1874-75	47,000
1875-76	36,000
1876-77 Regular Estimate	36,000
1877-78 First Estimate	36,000

The Governor-General in Council will transfer these items of revenue for an annual payment of Rs. 36,000.

Minor items of "Salt" Revenue transferred for an annual payment of Rs. 2,20,000.

6. *Salt.*—The *Customs* and *Excise Duty* on *Salt* must continue Imperial revenue; but the Governor-General in Council will transfer the minor items "*Rents of Warehouses*," "*Fines and Forfeitures*" and "*Miscellaneous*" for a yearly payment of Rs. 2,20,000. The past yield of these items is as follows:—

	Rs.
1872-73	1,56,000
1873-74	1,62,000
1874-75	1,15,000
1875-76	1,94,000
1876-77 Regular Estimate	2,23,000
1877-78 First Estimate	2,20,000

Revenue from "Stamps" and "Law and Justice" transferred for an annual payment of Rs. 1,05,75,000 increasing by 2½ lakhs a year.

7. *Stamps* and *Law and Justice* have produced revenue as follows:—

	Rs.
1872-73	88,91,000
1873-74	91,49,000
1874-75	96,87,000
1875-76	1,00,33,000
1876-77 Regular Estimate	1,03,00,000

Clearly 2¾ lakhs a year is a moderate estimate of the normal growth of these items of revenue. Accordingly the

Governor-General in Council will surrender these revenues to provincial uses for the following annual payments:— **VIII**—contd.

	Rs.
To be paid in 1877-78	... 1,05,75,000
1878-79	... 1,08,50,000
1879-80	... 1,11,25,000
1880-81	... 1,14,00,000
1881-82	... 1,16,75,000

Probable eventual claim of the Imperial Government to a share of any increases of revenue under "Excise," "Stamps," and "Law and Justice."

8. The revenue from *Excise*, *Stamps* and *Law and Justice* will be thus surrendered for the next five years. Thereafter the whole arrangement will be subject to revision; and the Governor-General in Council must then probably claim for the Imperial revenues a share of any improvement which may ensue under the management of the local Government in excess of the stipulated annual increments belonging to the Imperial Treasury. While the Government of India is most desirous that the local Government should benefit largely by any increase of revenue to which improved administration may lead, it is evidently reasonable and necessary that the Imperial revenues should eventually share in such increases. But inasmuch as a considerable burden is being now imposed upon the Province of Bengal, in order to guarantee to the Imperial revenues the interest on the capital spent in Bengal on the construction of canals and railways, the Government of India has consented, for the present, to abstain from claiming any part of the further increase which may be expected to these revenues in consequence of the greater attention that they will now doubtless receive from the local Government.

"Marine" Revenue with the exception of Miscellaneous receipts abnormal in character and exceeding Rs. 10,000 transferred for an annual payment of Rs. 10,84,000.

9. Of the *Marine* Receipts, the Governor-General in Council proposes to surrender to the local Government the following items:—

Pilotage Receipts.

Registration and other Fees.

Port Receipts.

Other Miscellaneous receipts, exclusive of any item abnormal in character and exceeding Rs. 10,000.

VIII—contd. These receipts have aggregated the following sums:—

	Rs.
1872-73	10,84,000
1873-74	10,18,000
1874-75	10,42,000
1875-76	11,01,000
1876-77 Regular Estimate	10,91,000
1877-78 First Estimate	10,84,000

The Governor-General in Council will make them over for an annual payment of Rs. 10,84,000.

"Miscellaneous" Revenue transferred with some reservations for an annual payment of Rs. 7,92,000.

10. Of the revenue recorded under *XVIII, Miscellaneous*, the Governor-General in Council desires to retain as Imperial only the items "*Premium on Bills*," "*Unclaimed Bills of Exchange*," "*Sale of Durbar Presents*," and any *item exceeding Rs.* 10,000 *which cannot be classified under some subdivision of this head now existing in the Public Accounts of Bengal.* The remainder of the revenue under this head has been as follows:—

	Rs.
1872-73	8,41,000
1873-74	10,27,000
1874-75	7,12,000
1875-76	7,73,000
1876-77 Regular Estimate	7,71,000
1877-78	7,92,000

The Governor-General in Council will assess the revenue transferred under this head at Rs. 7,92,000.

The total annual payment to be made for each of the five years 1877-78 to 1881-82 for the revenues surrendered for Provincial uses.

11. If there should be any new legislation intended to increase or reduce any of the Assigned Revenues, the amount due to the Imperial revenues will be subject to re-consideration. Subject to this proviso, the following revenues will be surrendered to the Government of Bengal, for five years for provincial uses, on its undertaking to make good to the Imperial revenues in—

	Rs
1877-78	1,91,07,000
1878-79	1,94,82,000
1879-80	1,98,57,000
1880-81	2,02,32,000
1881-82	2,06,07,000

VIII—contd.

Revenues to be surrendered to the Government of Bengal for Provincial uses, 1877-78.

Enumeration of the Revenues surrendered for Provincial uses.

IV.—Excise on Spirits and Drugs.

VI.—Customs ("Sea Customs Miscellaneous," and "Warehouses and Wharf Rents").

VII.—Salt: "Rents of Warehouses," "Fines and Forfeitures" and "Miscellaneous."

IX.—Stamps.

XIII.—Law and Justice.

XIV.—Marine · "Pilotage Receipts," "Registration and other Fees," and "Miscellaneous."

XVI.—Miscellaneous (all except "Premium on Bills," "Unclaimed Bills," and any item exceeding Rs. 10,000 which cannot be classified under any subdivision of this head now existing in the Public Accounts of Bengal.)

EXPENDITURE.

12. As regards EXPENDITURE, the Governor-General in Council will, for the future, reserve as Imperial only those grants which for some particular reason it seems inconvenient to transfer to provincial management and responsibility. The following services with the grants as at present settled for 1877-78 are accordingly made over to the management and responsibility of the Government of Bengal.

A few services reserved as Imperial.

13. *Refunds of all the Assigned Revenues.*—The actual expenditure has been as follows:—

Charges on account of "Refunds" transferred with an annual grant of Rs 4,91,000.

	Rs.
1872-73	4,31,000
1873-74	4,97,000
1874-75	5,52,000
1875-76	5,12,000
1876-77	4,63,000

The Grant for 1877-78 is the average of the five years, Rs. 4,91,000.

14. *Land Revenue.*—The Governor-General in Council will make over the expenditure which is recorded under this head in the Accounts for "*Collectors' and Deputy Commissioners', &c., Establishments*" and "*Charges on account of*

Certain heads of expenditure under "Land Revenue" transferred with an annual grant of Rs 22,62,000.

VIII—contd. *Land Revenue Collections.*" The expenditure on these services in the past has been as follows:—

	Rs.
1872-73	21,79,000
1873-74	22,04,000
1874-75	22,89,000
1875-76	22,42,000
1876-77 Regular Estimate	22,68,000

The Grant for 1877-78 is Rs. 22,62,000.

Service "Excise" transferred with an annual grant of Rs 2,92,000.

15. The expenditure in managing the *Excise* Revenue has been—

	Rs.
1872-73	2,94,000
1873-74	2,90,000
1874-75	2,93,000
1875-76	2,90,000
1876-77 Regular Estimate	2,93,000

The Grant is Rs. 2,92,000, and this sum will be made over for this service.

Service "Customs" transferred with an annual grant of Rs. 6,93,000.

16. The expenditure on *Customs* Establishments has been—

	Rs.
1872-73	6,52,000
1873-74	6,65,000
1874-75	6,52,000
1875-76	6,69,000
1877-77 Regular Estimate	6,80,000

The Grant is Rs. 6,93,000, which will be made over for this service.

Service "Salt" (except charges for Inland Customs, Behar) transferred with an annual grant of Rs. 39,000.

17. Of the *Salt* expenditure the "*Inland Customs Establishment, Behar,*" will be reserved as Imperial, and the expenditure now recorded under the head of "*Salaries, Establishments and Contingencies*" transferred: past figures are as follows:—

	Rs.
1872-73	39,000
1873-74	37,000
1874-75	34,000
1875-76	37,000
1876-77 Regular Estimate	39,000

The Grant is Rs. 39,000.

VIII—contd.

18. The expenditure on the collection of the *Stamp* Revenue has been—

Charges for the collection of the "Stamp" revenue transferred with an annual grant of Rs. 2,38,000.

	Rs.
1872-73	2,93,000
1873-74	2,25,000
1874-75	2,16,000
1875-76	2,39,000
1876-77 Regular Estimate	2,35,000

The Grant is Rs. 2,38,000.

19. The Government of India will make the whole of the expenditure under *Administration* Provincial, excepting the charges for—

Service "Administration" (except certain charges) transferred with an annual grant of Rs. 12,61,000

The Account Office,
The Allowance to Bank of Bengal,
The Stationery Office,
Stationery purchased in the Country.

Deducting these items, the past expenditure has been as follows:—

	Rs.
1872-73	12,69,000
1873-74	12,99,000
1874-75	13,09,000
1875-76	12,54,000
1876-77	12,62,000

The Grant is Rs. 12,61,000.

20. The Government of India wish to reserve as Imperial from the expenditure under 16, *Minor Departments*, only the *Meteorological and Archæological Departments, Census and Gazetteers.* The Grant made for the remainder of the Services recorded under this head is Rs. 1,68,000, including a large and abnormal Grant of Rs. 1,31,000 for *Cinchona Plantations.*

Service "Minor Departments" (except certain items) transferred with an annual grant of Rs. 1,68,000.

21. The only item to be reserved as Imperial under *Law and Justice* is the charge for "*Law Officers,*" the actual expenditure for this Service being too unsettled as yet to be the subject of any arrangement. Apart from this item, the expenditure under this head has been as follows:—

Service "Law and Justice" (except charge for "Law Officers") transferred with an annual grant of Rs. 63,97,000.

	Rs.
1872-73	62,25,000
1873-74	62,97,000
1874-75	64,62,000
1875-76	63,34,000
1876-77 Regular Estimate...	63,56,000

VIII—contd.

Service "Marine" partly transferred with an annual grant of Rs. 10,92,000.

The Grant is Rs. 63,97,000.

22. It is proposed to make over the *Marine* charges shown in the following statement with a grant of Rs. 10,92,000:—

Details of Marine charges to be transferred.

	Marine Court.	Shipping Master.	Shipping Fees, Towing Fees, and Sundries.	Lieutenant-Governor's State Yacht.	Pilotage, Pilot Establishment, and Pilot Vessels.	Victuals, exclusive of Sea-going Vessels, Inland Steamers and Flats, Famine Vessels and G.-G.'s State Yacht.	Coal for Lieutenant-Governor's State Yacht, Pilot, Survey, and Light Vessels, and Steamer *Celerity*.	Building and repairs of Lieutenant-Governor's Yacht, Pilot, Survey, and Light Vessels.	Light-houses and ships.	Calcutta Port Approaches.	Outports.	Other miscellaneous charges.	TOTAL.
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1872-73	3,529	16,235	9,177	4,475	6,68,380	34,849	15,278	88,467	7,639	2,11,538	27,656	1,771	10,88,994
1873-74	3,346	17,604	6,005	4,320	6,71,344	38,037	23,439	79,435	7,519	1,85,368	28,786	10,489	10,75,692
1874-75	3,404	18,274	11,390	3,850	6,39,530	35,128	27,337	88,201	7,528	1,89,219	30,985	26,886	10,81,732
1875-76	3,300	15,441	1,749	4,961	6,33,899	33,167	31,373	59,238	7,495	1,84,502	33,658	3,534	10,12,317
1876-77	3,800	16,400	10,700	4,376	6,72,000	37,000	20,000	1,06,525	7,000	1,96,000	25,000	3,800	11,02,101
1877-78	3,500	16,788	10,569	4,376	6,50,463	32,500	20,000	1,35,236	7,540	1,96,000	15,000	60	10,91,982

The reduction in the Grant for 1877-78 under Outports is owing to the transfer of False Point to a Port Trust.

Cost of "Stationery" and "Stamps" transferred with an annual grant of Rs. 4,98,000.

23. The cost of *Stationery* including stationery used in the Accountant-General's office and stamps has been:—

				Stationery.	Stamps.
				Rs.	Rs.
1872-73	...	...	...	3,71,954	.....
1873-74	...	...	...	4,20,007	.....
1874-75	...	...	...	3,91 997	98,156*
1875-76	...	...	...	4,30,122	91,444
		Average	...	4,03,520	94,650

The Government of India will allow for this item Rs. 4,98,000.

* Judicial Bi-colour Stamps included in previous years.

VIII—contd.

24. The cost of the Police guard on duty at the Government houses, Calcutta and Barrackpore, is at present charged to the Government of India under the head as follows:—

Service "Police"—additional allotment of Rs. 7,000 for cost of the police guard on duty at the Government Houses, Calcutta and Barrackpore.

	Rs.
For five months during the residence of His Excellency the Governor-General at the Presidency, at Rs. 651 a month	3,255
For seven months during His Excellency's absence from Calcutta, at Rs. 336 a month	2,352
During journies to Barrackpore, &c.	1,080
Total ...	6,687

The Grant for this service is Rs. 7,000.

25. It is proposed to make over the whole *Miscellaneous* Grant, excepting only the item "*charges for remittance of Treasure.*" The Imperial Revenues will, however, continue responsible for any charge which may occur under any sub-division of this Grant not now enumerated, and which exceeds Rs. 10,000. The past expenditure has been—

Service "Miscellaneous" (except certain charges) transferred with an annual grant of Rs. 25,000.

	Rs.
1872-73	18,000
1873-74	18,000
1874-75	31,000
1875-76	22,000

The Grant is Rs. 25,000.

25*a*. The repairs of the offices of the Superintendent of Stamps and Stationery, of the obelisks (navigation marks) on the bank of the river Hooghly, and of the Bishop's Palace, which are now Imperial Charges, have cost in the last five years Rs. 35,000 in all. It is proposed that the responsibility for these buildings and obelisks should hereafter be Provincial, a sum of Rs. 7,000 being assigned for the purpose.

Repairs of certain buildings reserved hitherto as Imperial now made Provincial, with an annual grant of Rs 7,000

26. The Grants, as now settled for all the expenditure which it is thus proposed henceforth to entrust to Provincial management and responsibility, amount, as shown in the following statement, to Rs. 2,45,29,000. It is understood, however, that the Local Government will be able and willing to undertake these services with a Consolidated Grant of somewhat less than Rs. 2,45,29,000. The existing *Provincial allotment* is Rs. 1,10,59,000. The provision made for the further services to be now transferred is thus Rs. 1,34,70,000, of which Rs. 4,91,000 is for *Refunds*. Five per cent. upon the remainder is Rs. 6,48,950; the Governor-General in

Deduction of Rs. 5,90,000 from the grants as now settled.

VIII—contd. Council proposes to deduct the sum of Rs. 5,90,000 from the consolidated assignment now offered, as follows:—

Statement of Services and Grants transferred.

Statement of expenditure to be transferred to the management of the Government of Bengal.

	Grant for 1877-78 as now settled.	Retrenchment.	Proposed Net Consolidated Grant.
	Rs.	*Rs.*	*Rs.*
3.—Refunds of Revenue from Excise, Stamps, and Law and Justice, and of Deposits	*4,91,000*	.....	*4,91,000*
4.—Land Revenue ("Collectors', Deputy Commissioners', &c., Establishments," and "Charges on account of Land Revenue Collections")	*22,62,000*	.....	*22,62,000*
6.—Excise on Spirits and Drugs ...	*2,92,000*	.....	*2,92,000*
8.—Customs	*6,93,000*	.....	*6,93,000*
9.—Salt	*39,000*	.....	*39,000*
11.—Stamps	*2,38,000*	.....	*2,38,000*
15.—Administration (excepting "Account Office," "Allowances to Presidency Banks," "Stationery Office at Presidency" and "Stationery purchased in the Country") ...	*12,61,000*	.....	*12,61,000*
16.—Minor Departments (excepting Meteorological and Archæological Departments, Census and Gazetteers)	*1,68,000*	.....	*1,68,000*
17.—Law and Justice (excepting "Law Officers")	*63,97,000*	*1,00,000*	*62,97,000*
18.—Marine (for the Services enumerated in paragraph 23)	*10,92,000*	.....	*10,92,000*
23.—Political (Government House Police Guard) ... ...*	*7,000*	.....	*7,000*
26.—Miscellaneous (excepting "Remittance of Treasure") ...	*25,000*	.....	*25,000*
Stationery and Stamps ...	*4,98,000*	*50,000*	*4,48,000*
27.—Provincial Allotment as now existing	*1,10,59,000*	*4,40,000*	*1,06,19,000*
Maintenance of Bishop's Palace, Stamps and Stationery Buildings, and River Obelisks	*7,000*	.....	*7,000*
Total ...	*2,45,29,000*	*5,90,000*	*2,39,39,000*

* Should henceforth be shown under Police.

VIII—contd.

27. A further sum will be added for *Stores bought in England* as soon as the past expenditure for these items on behalf of Bengal can be ascertained, and eventually the responsibility for furlough allowances and pensions will, if possible, also be placed upon the Government of Bengal. Meanwhile the Government of Bengal will be entitled to appropriate to provincial uses any surplus, and will be bound to make good from provincial sources any deficit, which may accrue upon all the revenues and services which will be henceforth under its particular management. The revenues made over being in 1877-78 Rs. 1,91,07,000, and the net consolidated allotment Rs. 2,39,39,000, the net expenditure from the Reserved Imperial Revenues will be Rs. 48,32,000. If less than the following sum in each year is spent, the difference will be added to the *balance of the Government of Bengal in the Imperial Treasury*; if more, the difference will be taken from that *balance*.

Allotment for "Stores bought in England" to be added hereafter.

Possible transfer of the responsibility for furlough allowances and pensions, eventually.

To be provided from the Reserved Imperial Revenue.

Provincial allotments for five years, commencing from 1877-78.

In	Rs.
1877-78	48,32,000
1878-79	44,57,000
1879-80	40,82,000
1880-81	37,07,000
1881-82	33,32,000

28. The conditions under which the Government of Bengal will administer the extended trust thus committed to it are defined in the Resolution of the Governor-General in Council in this Department, No. 1709, dated 22nd March 1877.

29. It will be necessary for the Government of Bengal to revise the estimates received with your letter No. 568, dated 22nd February 1877.

ORDERED that copy of this letter be published in the *Gazette of India* and forwarded for information to the Home, Revenue, Military, and Public Works Departments, to the Comptroller-General, and to the Accountant-General, Bengal.

VIII-concld. The Comptroller-General should give all necessary subsidiary instructions for the separation of the Marine expenditure for which the local Government will hereafter be responsible.

IX.

No. 1801, dated Fort William, the 26th March 1877.

From—R. B. CHAPMAN, Esq., Secretary to the Government of India, Financial Department,

To—The Secy. to the Govt. of Bengal, Finl. Dept.

Enforcement of Provincial responsibility for financial results of Productive Public Works.

IN the financial statement made before the Legislative Council of the Governor-General, the Hon'ble Sir John Strachey announced the resolution of the Government of India to enforce provincial responsibility for the financial results of works constructed at the public expense for local and provincial purposes: the reasons for this resolution have been fully explained by Sir John Strachey, and the policy itself, and its consequences to the Lower Provinces of Bengal, have been discussed with His Honor the Lieutenant-Governor.

Financial results of Irrigation Works and State Railways, from 1871-72 to 1877-78.

2. It now only remains for me to forward to you, for submission to His Honor the Lieutenant-Governor, the accompanying abstract statement showing the financial results of Irrigation Works and State Railways in Bengal from 1871-72 to 1875-76, with estimates for 1876-77 and 1877-78.

Interest charges how calculated

3. This statement is prepared upon the principle of charging to the works half a year's interest on the capital expended during the year, in addition to a year's interest on the capital expended to the beginning of the year. It will be observed that it is estimated that, to defray the working expenses of the canals in Bengal in 1877-78 and make good the interest upon their capital cost, a sum of Rs. 22,19,000 must be provided from separate provincial resources. The interest due upon the capital expended upon the State Railways in Bengal is estimated at Rs. 8,21,000, of which it is estimated that the net traffic earnings will supply Rs. 2,36,000, and the net sum of Rs 5,28,000 is required to hold the Imperial treasury harmless as regards State Railways.

IX—contd.

Amount of interest payable in 1877-78.

4. Thus the sum due in 1877-78 to the Government of India from the Province of Bengal, in accordance with the resolution announced in the financial statement, is estimated to be—

	Rs
For Canals	22,19,000
For Railways	5,28,000
Total ...	27,47,000

and, as announced by Sir John Strachey, the Government of India has taken credit for this sum in the estimates of the year 1877-78.

No interest payable for the Calcutta and South-Eastern Railways

5. The calculations from which this demand is deduced do not include the capital expended on the Calcutta and South-Eastern Railway; but it is proposed to entrust the working of that Railway to the Government of Bengal, and any profits that can be obtained from it may be appropriated to provincial uses.

Management of all State Canals and Railways in Bengal made over to the Local Government with the interest charges.

6. The Governor-General in Council will accordingly make over to the use and responsibility of the Government of Bengal all the State Canals and Railways in Bengal, on condition that the Government of Bengal guarantee to the Government of India a net income calculated in the way in which the sum of Rs. 27,47,000 is calculated in the annexed statement.

7. If the Canals and Railways together yield less than the sum thus calculated, the Government of Bengal must supply the deficiency from separate provincial resources; if, hereafter, they should yield more, the surplus will be added to the balance of the local Government in the Imperial treasury.

Transactions of Canals and Railways how to be recorded.

8. The transactions of the Canals and Railways will continue to be recorded as at present in the general accounts and estimates of India, the obligation now imposed upon the Government of Bengal will not interfere with the existing practice in this respect; but the local Government must include these transactions in the accounts and estimates which it is required to publish yearly under the rules for the administration of Revenues and Services entrusted to local Governments.

9. The present orders deal only with the financial part of the question. Other questions connected with the future management of the works will have to be considered in the Public Works Department.

IX—contd.
Statement of the Financial Results of Irrigation Works and State Railways from 1871-72 to 1877-78.

General Abstract Statement showing the Financial Result of Irrigation Works and State Railways in Bengal from 1871-72 *to* 1875-76, *also Regular Estimates of the same for* 1876-77, *and Estimates for* 1877-78.

I.—IRRIGATION WORKS.

	Accounts.					Regular estimate, 1876-77.	First estimate, 1877-78.
	1871-72.	1872-73.	1873-74.	1874-75.	1875-76.		
I.—Capital expenditure without interest—	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
During the year—							
Ordinary	2,43,000	5,000	77,000	2,89,000	2,36,000	81,000	.....
Extraordinary	33,16,000	44,74,000	51,26,000	46,93,000	39,61,000	38,00,000	27,50,000
Capital value of lands used for the works.	.....	.....	22,000	12,000	17,000	.....	.....
Total ...	35,59,000	44,79,000	52,25,000	49,94,000	42,14,000	38,81,000	27,50,000
To the end of the year—							
Ordinary	8,57,000	8,62,000	9,39,000	12,28,000	14,64,000	15,45,000	15,45,000
Extraordinary	2,09,58,000	2,54,32,000	3,05,58,000	3,52,51,000	3,92,12,000	4,30,12,000	4,57,62,000
Capital value of lands used for the works.	.....	.....	22,000	34,000	51,000	51,000	51,000
Total ...	2,18,15,000	2,62,94,000	3,15,19,000	3,65,13,000	4,07,27,000	4,46,08,000	4,73,58,000
II.—Revenue and working expenses—							
During the year—							
Revenue from water-rates and other direct returns.	98,200	1,03,000	1,48,000	2,17,000	2,30,000	3,26,000	4,25,000
Working expenses	3,24,000	3,34,000	2,91,000	3,61,000	5,29,000	5,83,000	5,75,000
Working expenses in excess of revenue.	2,26,000	2,31,000	1,43,000	1,44,000	2,99,000	2,57,000	1,50,000
To the end of the year—							
Revenue from water-rates and other direct returns.	2,40,000	3,43,000	4,91,000	7,08,000	9,38,000	12,64,000	16,89,000
Working expenses	5,20,000	8,54,000	11,45,000	15,06,000	20,35,000	26,18,000	31,93,000
Working expenses in excess of revenue.	2,80,000	5,11,000	6,54,000	7,98,000	10,97,000	13,54,000	15,04,000
III.—Revenue compared with Interest on Capital—							
During the year—							
Simple interest at 4½ per cent. on capital.	9,01,000	10,83,000	13,00,000	15,30,000	17,38,000	19,20,000	20,69,000
Excess working expenses, plus interest.	11,27,000	13,14,000	14,43,000	16,74,000	20,37,000	21,77,000	22,19,000
To the end of the year—							
Simple interest	20,33,000	31,16,000	44,16,000	59,46,000	76,84,000	96,04,000	1,16,73,000
Excess working expenses, plus interest.	23,13,000	36,27,000	50,70,000	67,44,000	87,81,000	1,09,58,000	1,31,77,000

II.—STATE RAILWAYS.* IX—concld.

	Accounts.					Regular estimate, 1876-77.	First estimate, 1877-78.
	1871-72.	1872-73.	1873-74.	1874-75.	1875-76		
	Rs.	Rs.	Rs.	Rs	Rs	Rs.	Rs.
I.—Capital expenditure without interest—							
During the year—							
Ordinary ...	...	...	,	6,45,000	15,000	1,18,000	68,000
Extraordinary ..	3,28,000	1,07,000	12,83,000	38,12,000	41,62,000	57,78,000	38,59,000
Total .	3,28,000	1,07,000	12,83,000	44,57,000	41,77,000	58,96,000	39,27,000
To the end of the year—							
Ordinary ..	..	..		6,45,000	6 60,000	7,78,000	8,46,000
Extraordinary ..	3,53,000	4,60,000	17,43,000	55,55,000	97,17,000	1,54,95,000	1,93,54,000
Total ...	3,53,000	4,60,000	17,43,000	62,00,000	1,03,77,000	1,62,73,000	2,02,00,000
II.—Revenue and working expenses†—							
During the year—							
Traffic earnings	38,000	1,65,000	1,82,000	1,83,000	2,24,000	3,50,000	13,55,000
Working expenses...	78,000	1,12,000	2,51,000	1,47,000	2,13,000	3,78,000	10,62,000
Net traffic earnings	*—40,000*	53,000	*—69,000*	36,000	12,000	*—28,000*	2,93,000
To the end of the year—							
Traffic earnings	3,27,000	4,92,000	6,74,000	8,57,000	10,81,000	14,31,000	27,86,000
Working expenses	3,88,000	5,00,000	7,51,000	8,98,000	11,10,000	14,88,000	25,50,000
Working expenses in excess of earnings	*61,000*	*8,000*	*77,000*	*41,000*	*29,000*	*57,000*	—2,36,000
III.—Revenue compared with Interest on Capital—							
During the year—							
Simple interest at 4½ per cent.	8,000	18,000	49,000	1,79,000	3,72,000	6,00,000	6,21,000
Interest and excess working expenses.	48,000	—35,000	1,18,000	1,43,000	3,60,000	6,28,000	5,28,000
To the end of the year—							
Simple interest at 4½ per cent.	9,000	27,000	76,000	2,55,000	6,27,000	12,27,000	20,48,000
Interest plus excess working expenses.	70,000	35,000	1,53,000	2,96,000	6,56,000	12,84,000	18,12,000

III.—IRRIGATION AND STATE RAILWAYS COMBINED.

Net deficit upon Canals and Railways—							
During the year .	11,75,000	12,79,000	15,61,000	18,17,000	23,97,000	28,05,000	27,47,000
To the end of the year	23,83,000	36,62,000	52,23,000	70,40,000	94,37,000	1,22,42,000	1,49,89,000

* Calcutta and South-Eastern, Nulhattee, Northern Bengal, Tirhoot, Kosi Extension, Assam Extension and Seebsagor Extension included, but the capital outlay and interest charges of the Calcutta and South-Eastern State Railway are excluded.

†The revenue and working expenses include the receipts and charges of the Calcutta and South-Eastern, Nulhattee, Northern Bengal, and Tirhoot Extension.

X.

No. 1974, dated Calcutta, the 3rd July 1877.

From—H. H. RISLEY, Esq., Offg. Asst. Secy. to the Govt. of Bengal, Financial Dept.,

To—The Secy. to the Government of India, Financial Dept.

WITH reference to your letter No. 1801, dated 26th March 1877, regarding the contribution to the Imperial Funds on account of irrigation works and railways in Bengal, I am directed to submit the following representation for the favourable consideration and orders of the Government of India.

2. The letter quoted above fixed the sum to be paid by this Government to the Government of India in 1877-78 for these works at Rs. 27,47,000, and stated that credit had been taken by the Supreme Government for that sum in the estimates of the year.

Net receipts from the Provincial Public Works Cess during 1877-78, estimated not to exceed 20 lakhs of rupees.

3. The required amount could be raised without difficulty, if it were possible to realize within the year a whole year's income of the Provincial Public Works cess. But the Lieutenant-Governor apprehends that this Government cannot possibly realize more than three-fourths of the year's cess (say 24 lakhs), and that, allowing for charges of collection and uncollected arrears, the actual net receipts from the cess will not exceed 20 lakhs of rupees.

Suggesting that the contribution from Bengal for 1877-78 on account of Irrigation Works and State Railways be fixed at 20 lakhs of rupees instead of Rs. 27,47,000.

4. Under these circumstances, I am to request that His Excellency the Governor-General in Council may be pleased formally to fix the contribution from Bengal for the present year on account of irrigation works and State railways at 20 lakhs of rupees, instead of Rs. 27,47,000 as specified in your letter mentioned above.

XI.

No. 2237, dated Simla, the 31st July 1877.

From—R. H. HOLLINGBERY, Esq., Asst. Secy. to the Govt. of India, Financial Department,

To—The Secy. to the Govt. of Bengal, Financial Dept.

The contribution for 1877-78 fixed accordingly at 20 lakhs of rupees.

IN acknowledging the receipt of your letter No. 1974, dated the 3rd July 1877, I am directed to state that the Governor-General in Council is pleased to fix the contribution from Bengal for the present year on account of irrigation works and State railways at 20 lakhs of rupees, instead of Rs. 27,47,000, as stated in my letter No. 1801, dated 26th March 1877.

REVISED RULES AND CONDITIONS UNDER THE PROVINCIAL CONTRACT OF MARCH 1877. XII.

No. 1709, dated Fort William, the 22nd March 1877.

NOTIFICATION—By the Govt. of India, Financial Dept.

THE following Resolution is published for general information :—

READ again—

Resolution No. 334, dated 14th December 1870.

Read—

The Financial Statement made by the Hon'ble Sir John Strachey to the Legislative Council of the Government of India on the 15th March 1877, and the Abstracts of the Accounts and Estimates therewith presented.

Re-incorporation of the transactions of the Local Governments in the Imperial Estimates and Accounts.

RESOLUTION.—Subject to the approval of the Secretary of State in Council, the Governor-General in Council has resolved to re-incorporate in the Imperial Estimates and Accounts, in the manner described in this statement by the Hon'ble Sir John Strachey, the transactions of the Local Governments, which have, since 1871-72, been represented by a single net entry in the Imperial Estimates and Accounts under the head *Allotments for Provincial Services.*

2. Additional revenues have been already surrendered to the provincial uses of the Governments of *Bengal*, the *North-Western Provinces* and *Oudh*, and additional services transferred to their management and responsibility. It is the intention of the Governor-General in Council, after consultation with the other Local Governments, to propose similar expansions of the measure of December 1870 in respect to the revenues and services of the other provinces.

3. In consequence of the arrangements thus completed or contemplated, it is necessary to revise the conditions under which the Local Governments administer the revenues and services entrusted to their particular use and management.

4. In supersession therefore of all existing regulations upon the subject, the Governor-General in Council is

XII—contd. pleased to decide that, till further orders, the following shall be the

Rules and conditions of the scheme of Provincial Services as revised in 1877.

Rules and Conditions which apply to the administration, by the Local Governments, of all Revenues and Services surrendered to provincial uses and management.

I.—Without the previous sanction of the Government of India—

Enumeration of the measures requiring the previous sanction of the Government of India.

(1.) No additional taxation may be imposed, and no change made in any existing system of revenue management.

(2.) No new general service or duty may be undertaken: whenever a Local Government proposes to undertake any such new service or duty, it must satisfy the Government of India that it can provide the funds for it temporarily, if the service or duty is temporary, and permanently, if it is permanent.

(3.) No appointment may be created with a pay of more than Rs. 250 a month; and no addition may be made to the pay and allowances of any officer if they exceed, or would after the addition exceed, Rs. 250 a month.

(4.) No appointment of which the pay and allowances are more than Rs. 250 a month may be abolished, and the pay and allowances of no such appointment may be reduced.

(5.) No class or grade of officers may be created or abolished, and the pay of no class or grade of officers may be raised or reduced.

(6.) The rates of discount upon the retail of stamps and court-fee labels, and the local duty on spirit and drugs, must not be altered: the Governor-General in Council reserves the right of forbidding any such alterations as are likely to injure the revenues of neighbouring provinces or prove otherwise inconvenient.

(7.) No addition may be made to the pay or allowances of any individual officer, or class of officers, that may lead to increase in the emoluments of any public servants doing duty in the same province, whose pay and allowances are not charged under one of the transferred heads of service.

The Government of India reserves the right to forbid alterations in rates of pay or allowances, which, in its opinion, would produce inconvenience in other provinces. **XII**—contd.

(8.) No money may be removed from the public treasury for investment or deposit elsewhere: the Government of India, which is responsible for the provision of ways and means for the public service in all departments, must always retain, as at present, in its own hands, absolute and unconditional control over all money in the public treasury: a Local Government may not withdraw such money except for expenditure upon the public service.

(9.) No alteration must be made in the form or procedure of the public accounts.

(10.) No services previously rendered to other departments at the charge of the departments made over to the control of the Local Governments may be diminished, and no services previously rendered to these departments at the charge of other departments may be increased.

(11.) No line of through communication may be abandoned or allowed to fall out of repair.

II.—Returns are to be made quarterly, through the several administrative departments of the Government of India, to the Financial Department, showing every change made in the pay of any officer, every new office created, and every existing office abolished; also any unusual or extraordinary charge incurred, and any expenditure discontinued.

Returns to be made quarterly, showing every change in pay and establishment, and any unusual or extraordinary charge incurred and any expenditure discontinued.

III.—All standing orders and rules of the Supreme Government are to be observed, including, in particular, the rules in the Codes of the Financial and Public Works Departments, Travelling Allowance Rules, and the Rules and Circular Orders of the Comptroller-General.

All standing orders and rules of the Supreme Government to be observed.

XII—contd.
Returns, accounts and estimates to be submitted in forms and times prescribed.

IV.—Returns, accounts, and estimates are to be submitted to the Supreme Government in such forms and at such times as may be prescribed.

The Local Governments to keep the Government of India informed of their executive and financial proceedings.

V.—The Local Governments must keep the Governor-General in Council, in the several departments, fully informed of their executive and financial proceedings; the Governor-General in Council will not relinquish his general powers of supervision and control in any department: but His Excellency in Council will, as far as possible, avoid interference with the details of the administration of the transferred revenues and services, and any embarrassment of the provincial finances.

No inter-provincial, inter-presidential, or inter-departmental adjustments will be allowed, which would, under the system in force before 1871-72, have been disallowed.

VI.—A local Government must accept, without remonstrance, any charge which would, under the system in force before 1871-72, have been recorded under any of the transferred heads of account in the accounts of its presidency or province; and must not raise objections on such grounds as that the charge has originated outside the presidency or province, or that the presidency or province is not interested in it, or the like: if any doubt arises at any time whether any charge should or should not be entered under any particular head in the accounts of any presidency or province, such doubt must be solved by one test only, viz. "How would it have been entered if it had occurred before 1871-72, when the powers and responsibilites of local Governments were first enlarged?" Thus, for example, the pay or leave allowances of an officer belonging to another administration on duty or on leave in the North-Western Provinces, and drawn there, must be charged in the accounts of the North-Western Provinces: the Governor-General in Council did not intend by the measure of 1870, and does not now intend, to introduce or authorize any change of practice in such matters, or any inter-provincial, inter-presidential, or

inter-departmental adjustments not theretofore allowed: in regard to all such transactions, the arrangements made with the Local Governments were calculated upon the basis of the system which existed before the year 1871-72. **XII**—contd.

VII.—The grant made to a Local Government for all the services entrusted to its administration is a consolidated grant: no claim will lie against the Imperial Treasury on the ground that the cost of any service exceeds the amount at which it was estimated in the calculation of the consolidated grant. **The grants made to Local Governments are consolidated grants, and no claim will lie on account of deficiency in the grant for any particular service**

VIII.—In the management of its finances, a Local Government must never absolutely exhaust its balance in the Imperial Treasury: the Government of India will not accept any estimates, or allow any transactions by a Local Government, which involve the expenditure of more money than is at its credit in the Imperial Treasury: it is the duty of every Accountant-General to take care that this condition is never infringed, and promptly to report to the Governor-General in Council any transgression of it which is not, upon his representation, immediately rectified by the Local Government addressed. **A Local Government must never absolutely exhaust its balance in the Imperial Treasury.**

The Accountant-General to take care that this condition is never infringed.

IX.—A Local Government may not lend money from the balance at its credit in the Imperial Treasury: the Government of India will always pay every attention to any recommendation for the loan of public money in excess of the powers which are entrusted to a Local Government by law or rule; but all loans alike must be from the Imperial balances; such operations must not be mixed up with the arrangements between the Imperial and the Local Government for the collection and appropriation of the public revenues or the administration of the public services. **Local Governments not to lend money from the balances at their credit in the Imperial Treasury.**

All loans must be from the Imperial balances.

X.—It is a general condition, precedent to the delegation of all authority to disburse public money, that it shall be *bonâ fide* for a public object; nothing must be carried out by means of the **Public money cannot be disbursed for any other than a public object, unless in**

XII—concld

accordance with some declared or established rule or principle

public funds for the advantage of any individual or body of private persons, unless in accordance with some declared or established rule or principle recognized by the Government of India: it is the duty of every audit officer, at all times, to challenge any infringement of this principle; and every Local Government must submit, for the orders of the Government of India, any representation made to it by any audit officer, in accordance with this rule which it does not promptly accept.

Any representation by any audit officer, in accordance with this rule, if not promptly accepted, must be submitted by the Local Government for the orders of the Government of India

Annual accounts to be submitted to the Government of India and to be published in the Local Government Gazette, on or before the 31st January of each year

XI.—On or before the 31st January of each year, each Local Government must forward to the Government of India, in the Financial and Public Works Departments, and publish in the Local Government Gazette, in detail of major heads, with such explanations as may be necessary for the due understanding of its financial administration—

What the accounts are to show

(1.) An account showing—

(*a.*) The balance of the Local Government in the Imperial Treasury at the beginning of the last complete financial year.

(*b.*) The revenues appropriated during that year to provincial uses, and the supplementary assignment from the Imperial Treasury.

(*c.*) The expenditure under provincial responsibility during that year.

(*d.*) The balance of the Local Government in the Imperial Treasury at the end of that year.

(2.) Revised estimates in the same detail for the current financial year.

(3.) Estimates in the same detail for the coming financial year.

Liability of these rules and conditions to change at any time.

XII.—The Governor-General in Council reserves power to modify, add to, or repeal these rules and conditions at any time.

RULINGS CONNECTED WITH PROVINCIAL RULE I(3), REGARDING SALARIES, ALLOWANCES AND APPOINTMENTS. XIII.

Extract from a despatch from the Right Hon'ble the Secretary of State for India, addressed to the Government of India in the Financial Department, No. 63 of 1864, dated the 17th March, regarding the increase of salaries, or the creation of new offices without the previous sanction of the Home Government.

Expediency of revising the rules regarding increases of salaries or establishments.

PARA. 6.—In consequence of the greater rapidity of communication between India and England there is now less reason than formerly existed for dispensing with such approval. I consider, however, that the introduction of the budget system of estimate and account into India renders it expedient to make some alteration in the rules regarding increases of salaries, care being taken that any change should carry with it the advantage which is derived in this country from the necessity of exercising great deliberation with respect to all increases of salaries or establishments.

7. Here, all proposals of that nature which are made in the course of a financial year, are reserved for decision when the estimates for the ensuing year are being prepared, and if the increase has been sanctioned, it cannot be carried into effect until those estimates are voted by the House of Commons.

8. This arrangement obliges the several great departments of State to weigh carefully the reasons given for proposed increases in salaries or establishments, and to consider them, with respect not only to the special office or subordinate department concerned, but to their bearing upon other similar offices or departments. It also tests the real value of the savings which are very generally put forward as a compensation to the proposed increase of expenditure, but which, in the majority of instances, are not actually realized.

9. Without enjoining the adoption of a precisely similar system in regard to India, I consider that its main principles might be introduced with great advantage, and the following rules must therefore be strictly observed in future:—

No payments to be made on account of

That no payments be made on account of increases of salary until the additional expenditure thereby caused shall

XIII-concld.

increases of salary, until provided for in the budget estimate and duly sanctioned.

have been provided for in the Budget estimate and duly sanctioned.

No increase raising a salary above Rs 5,000 per annum to be included in the Budget Estimate without the previous sanction of the Home Government.

That no increase, which would have the effect of raising a salary above Rs. 5,000 per annum, be included in the Budget estimate, until the sanction of the Home Government shall have been first obtained. In regard to salaries within that limit, Her Majesty's Government will not object to such increases as you may consider it expedient to make (or to sanction, if proposed by the subordinate Government), being included in the budget of the year, a schedule of all such increases being forwarded to this country with the estimate.

No appointment with a salary exceeding Rs. 3,000 per annum to be created without the previous sanction of the Home Government.

That as in regard to the creation of new offices it can rarely happen that any inconvenience would result from a previous reference to the Home Government, such reference must as a rule be made, but if an emergency should arise demanding the immediate creation of a new appointment with a salary exceeding Rs. 3,000 per annum, it must be made provisionally, and at once reported to the Home Government, no expectation being held out to the individual appointed to it, which would warrant a claim for compensation in the event of the appointment not being finally sanctioned.

XIV.

No. 2679, dated Simla, the 31st August 1878.

RESOLUTION—By the Government of India, Financial Dept.

READ again—

Financial Resolution No. 3601, dated 30th September 1875.
„ letter „ 2452, „ 28th April 1876.
„ Resolution „ 3018, „ 9th December 1876.
„ „ „ 667, „ 7th February 1877.
„ „ „ 3421, „ 29th September 1877.
Resolution by the Home Department, Nos. 8½ to 20, dated 3rd February 1877.

Read also—

Letter from the Home Department, No. 67, dated 17th July 1877, to the Government of Madras.
Letter from the Home Department, No. 68, dated 17th July 1877, to the Government of Bengal.

Circular from the Home Department, Nos. 2-69 to 76, dated 17th July 1877, to the Governments of Bombay, the North-Western Provinces and Oudh, and the Punjab; the Chief Commissioners of the Central Provinces, British Burma, Mysore and Coorg, and Assam; and to the Resident at Hyderabad. **XIV**—contd.

Read—

Letter from the Government of Madras, No. 46, dated 4th February 1878.
Letter from the Government of Bombay, No. 5402, dated 31st August 1877.
Letter from the Government of Bombay, No. 1098, dated 3rd October 1877.
Letter from the Government of Bengal, No. 1695, dated 30th April 1878.
Letter from the Government of the North-Western Provinces and Oudh, No. 337A, dated 3rd October 1877.
Letter from the Government of the Punjab, No. 3498, dated 11th August 1877.
Letter from the Chief Commissioner, Central Provinces, No. 4146-136, dated 29th October 1877.
Letter from the Chief Commissioner, British Burma, No. 1843-439, dated 12th September 1877.
Letter from the Chief Commissioner, Mysore, No. 6266-27, dated 28th September 1877.
Letter from the Chief Commissioner, Assam, No. 2417, dated 12th September 1877.
Letter from the Resident at Hyderabad, No. 9P, dated 4th August 1877.

Recitation of the rules hitherto regulating the powers of Local Governments to sanction special additions to salaries.

OBSERVATIONS.—In September 1875 it was determined that, without the previous sanction of the Governor-General in Council, no addition to any salary paid from Imperial Funds should be made from Provincial or Local Funds, or from the income of any Ward's estate, or from any other funds administered by the Government or its officers as trustees; and that, without the previous sanction of the Local Government, no addition to any salary paid from Provincial Revenues should be made from the income of any Ward's estate, or from any other funds administered by the Government or its officers as trustees. In April 1876 it was further ruled that a public servant should not receive pay from a municipality without the previous sanction of the Government given in the manner prescribed by the Resolution of 30th September 1875.

XIV—contd. 2. In December 1876 the general principle was affirmed that, when the whole time of an officer is paid for by the State, the Government is at full liberty to employ him in his own sphere upon the public service in such manner as may be convenient; and that such an officer is not entitled to separate or additional remuneration for any duty which he may be required to perform connected with a service the cost of which is borne by local funds. It was ruled that an officer who would have no claim to extra remuneration from the general revenues, if any duty which he might be required to perform were connected with some service, the cost of which was a charge upon the general revenues, is not entitled to extra remuneration because such duty may be connected with a service paid for from local funds.

3. In February 1877 it was ruled that the grant of extra allowances to Government servants for the performance of duties connected with local funds should be subject to sanction by the Government of India. The rule provided however that, when any officer who was already in receipt of such extra allowance went on leave, the extra allowance drawn by him might be continued to his *locum tenens*, either in whole or in part as might be determined by the local Government; but that if any post to which such allowance was attached was permanently vacated by an officer, it should not be continued to his successor, unless under the special or general sanction of the Government of India.

4. In September 1877 an order was issued to the effect that, if any bonus or honorarium for work done out of office hours was paid to any public officer, it should be recorded in the public accounts as salary, and be made subject to the rules which govern additions to salary,—that is to say, if the bonus or honorarium was paid to an officer whose salary was recorded in the Imperial section of the accounts, the sanction of the Government of India,—in other cases the sanction of the Local Government,—was required before the charge could be admitted in the public accounts, Imperial or Provincial.

5. In February 1877 again an order was issued forbidding the grant of fees to public officers who were required to conduct compulsory examinations necessary for the efficiency of the administration. This order, however, did

not discontinue the grant of fees to examiners conducting University and other examinations of a voluntary and not compulsory character, although Government might be indirectly interested in them. **XIV**—contd.

Revised rules for special additions to salaries.

RESOLUTION.—The present policy of the Administration calls for the supersession in some cases, and modification in others, of these orders, and their issue as modified in a consolidated form. Accordingly His Excellency the Governor-General in Council is pleased to direct the supersession of all the orders recited in the preamble to this Resolution, and in lieu thereof, to pass the following rules to regulate the powers of Local Governments to sanction special additions to salaries which are not authorized by any general or special orders of the Government of India:—

Additional remuneration not claimable for work within one's own branch of duty.

1. Unless in any particular case it be otherwise distinctly provided, the whole time of a public officer must be held to be paid for by the State, and he may be employed in any manner required by proper authority, within his own branch of duty, without claim for additional remuneration, whether the services rendered are such as might ordinarily be paid for from the Imperial or Provincial Revenues, or any Local Fund.

Additional pay from local funds allowed for special duty.

2. A Local Government may, however, sanction an addition to the pay of any officer employed under its orders for the performance of any special duty outside the duties of his regular appointment, as a charge against any fund administered under the Local Government, including Municipal or Port Trust Funds or Wards' estates.

Sanction of the Government of India and Secretary of State required when such addition raises the total emoluments above Rs. 5,000 yearly.

Provided that, without the previous sanction of the Government of India and Secretary of State, no such addition shall raise the total emoluments of any officer to more than Rs. 5,000 yearly.

Bonus or honorarium from Provincial Revenues allowable for work done out of office hours and beyond regular duties.

3. A Local Government may also sanction a grant to any officer from Provincial Revenues, as a bonus or honorarium for work done out of office hours and beyond the regular duties of his office, payment for which is a proper charge against those revenues.

XIV-concld.

A similar grant allowable from Imperial Funds within a limit of Rs. 200 in each case, and within Budget limits.

4. A similar grant, under like conditions, may be made by a Local Government from Imperial Funds within a limit of Rs. 200 in each case, and on the understanding that no excess over the budget grant for the head of service concerned is caused thereby.

Remuneration for work connected with examinations allowed in certain cases.

5. Remuneration shall not be given under these rules for superintending examinations rendered compulsory on persons belonging to the public service, but may be granted in the case of examinations of candidates for admission to the service, or where it has been specially authorized heretofore, or when the fees received from the persons examined meet the whole charge.

Except in the cases under the last rule, these rules do not apply to officers drawing more than Rs. 400 monthly.

6. Excepting in the case of the examinations referred to in Rule 5, these rules shall not be applicable to any officer whose pay exceeds Rs. 400 monthly.

The grant of remuneration in other cases not provided for by existing special orders, requires India's sanction.

7. In other cases not provided for by existing special orders, the sanction of the Government of India should be obtained to the grant of remuneration, in addition to the fixed pay of any public officer.

XV

No. 3648, dated Simla, the 23rd November 1880.

RESOLUTION—By the Govt. of India, Dept. of Finance & Commerce.

THE Secretary of State has repeatedly objected to the Government of India sanctioning, in anticipation of his approval, increases of pay and establishments, grants of special pensions, and measures involving additional expenditure, and has now requested that the standing orders on the subject may be strictly observed in future.

2. It will be therefore out of the power of the Government of India to sanction any such measures provisionally except in special emergencies.

The Government of India not to be asked to sanction any expenditure, in anticipation of the approval of the Secretary of State, except in special emergencies.

3. The President in Council accordingly desires that all Departments of the Government of India, Local Governments and Administrations, and Heads of Departments, will refrain from recommending the sanction, in anticipation of the approval of the Secretary of State, of any expenditure which requires the sanction of Her Majesty's Government. Nothing short of urgent necessity will be held to justify any disregard of these orders. Whenever such urgent necessity

occurs, its nature must be precisely explained, together with the reason why it was not foreseen in time to enable the Government of India to take the orders of Her Majesty's Government in due course. **XV**—concld.

No. 2447, dated Simla, the 24th August 1881. **XVI.**

RESOLUTION—By the Government of India, Department of Finance and Commerce.

READ—

Letter from the Chief Commissioner, Assam, No. 464G-R, dated the 23rd ultimo, forwarding a statement of alterations in Provincial charges sanctioned by him during the quarter ending 30th June 1881.

RESOLUTION.—The Governor-General in Council observes that in February last the Chief Commissioner authorized the increase of the pay of the head clerk on Rs. 225 and of the second clerk on Rs. 120 of the office of the Commissioner, Assam Valley Districts, to Rs. 250 and Rs. 150 respectively, and by an order, No. 676, dated the 9th April 1881, gave retrospective effect to the increase from the 1st January last.

2. The Government of India declines, except in special cases, to give retrospective effect to increases of pay; and the Governor-General in Council desires that the several Local Governments and Administrations will adopt the same practice.

Increases of pay not to be given with retrospective effect.

No 3109, dated Simla, the 20th September 1881. **XVII.**

From—T. C. HOPE, Esq., Offg. Secretary to the Govt. of India, Department of Finance and Commerce,

To—The Accountant General, Bombay.

I AM directed to acknowledge the receipt of your letter No. 10171L.A., dated the 5th September 1881, enquiring whether the pay and allowances of an officer in an appointment which has been sanctioned by the Government of India for a specified period should continue to be paid after the expiration of that period, on the Local Government stating that an application has been made to the Government of India for its sanction to an extension of the period already sanctioned.

XVII—concluded.

Pay and allowances of an officer in an appointment sanctioned for a specified period to cease at the end of that period.

2. In reply, I am to say that the pay and allowances of the appointment referred to should cease at the end of the period of sanction. It is always in the power of Local Governments to avoid inconvenience by applying to the Government of India for extension of sanction beforehand.

XVIII.

No. 844, dated Calcutta, the 16th February 1882.

RESOLUTION—By the Government of India, Dept. of Finance and Commerce.

Read the following—

Extract from a despatch from Her Majesty's Secretary of State for India to the Government of India, No. 297, dated the 29th September 1881.

PARA. 6. I notice, moreover, that, in the third paragraph of your letter, it is stated that your sanction to the temporary promotion of the Ratnagiri Deputy Superintendent to be a Superintendent was not reported for my confirmation, because it was not considered "to amount to a fresh permanent appointment." I am unable to regard this as a sufficient reason, considering, as I do, that the creation of temporary, no less than permanent, appointments, with a salary exceeding Rs. 3,000 a year, should be duly reported for the sanction, though not necessarily for the previous sanction of the Secretary of State.

Creation of temporary, no less than permanent, appointments, with salary over Rs 3,000 a year, to be reported for sanction of Secretary of State.

ORDERED that the foregoing extract be communicated to the Departments,* Governments,† and Officers‡ noted in the margin.

* The Foreign, Home, Military, and Legislative Departments.

† The several Governments, except the Government of Bombay

‡ The Comptroller-General, the Director-General of the Post Office of India, and the several Accountants-General and Comptrollers, except the Accountant-General, Bombay.

RULINGS CONNECTED WITH PROVINCIAL RULE I(8) REGARDING REMOVAL OF PUBLIC MONEY. XIX.

No. 2055, dated Simla, the 25th July 1877.

RESOLUTION—By the Government of India, Financial Department.

READ again—

The Proceedings in this Department for the month of January 1876, Nos. 11 to 13 (Accounts), sanctioning the investment of the sale proceeds of certain nuzzool lands in the Punjab, but declining to recognize any general right on the part of Local Governments to invest Local Fund balances.

Read—

A letter from the Accountant-General, Madras, No. 3126, dated the 20th June 1877, bringing to the notice of the Government of India certain proceedings of the Madras Government, authorizing the investment in Government securities of Rs. 10,77,400 out of the balance at credit of the "Village Service Fund" in that Presidency.

RESOLUTION.—The Governor-General in Council confirms the proceedings of the Government of Madras in this particular instance.

Removal of public money from the Public Treasury for *investment* prohibited.

2. His Excellency in Council desires, however, to remind all Local Governments and Administrations that no public money should be removed from the public treasury for *investment* without the sanction of the Government of India, and that this applies to Local Fund balances as much as to Provincial Funds.

No. 680, dated Fort William, the 4th February 1878. XX.

RESOLUTION—By the Government of India, Financial Dept.

READ again—

Financial Resolution No. 2055, dated 25th July 1877, directing that no money shall be removed from the Public Treasury for investment without the sanction of the Government of India, and that this rule shall apply to Local Fund balances as much as to Provincial Funds.

Dispensary Funds exempted from the operation of the foregoing ruling.

RESOLUTION.—The Governor-General in Council considers it necessary to declare that the foregoing order does not apply to Dispensary Funds.

XXI.

No. 1805, dated Simla, the 25th July 1878.

RESOLUTION—By the Government of India, Financial Dept.

READ again—

Financial Resolution No. 2055, dated 25th July 1877, directing that no money shall be removed from the Public Treasury *for investment* without the sanction of the Government of India, and pointing out that this rule applies to Local Fund balances as much as to Provincial Funds.

Financial Resolution No. 680, dated 4th February 1878, exempting Dispensary Funds from the operation of the foregoing orders.

The orders of July 1877 do not apply to Municipal or Port Funds, nor to Trust or Endowment Funds but to Funds contributed from the Provincial Revenues or raised by general taxation.

RESOLUTION.—The Governor-General-in Council observes that there has been some misunderstanding of the intentions of the Government of India in respect to the investment of Local Fund balances, and that it is necessary to state clearly the principle on which the orders of 25th July 1877 were based. That principle is, that no funds contributed from the public revenues, or raised by general taxation, such as the district cess funds and the like, shall be invested without the consent of the Government of India. Thus the orders of July 1877 do not apply to Municipal or Port Funds, nor do they apply to Trust or Endowment Funds of any kinds.

XXII.

No. 3727, dated Simla, the 21st October 1881.

RESOLUTION—By the Govt. of India, Department of Finance and Commerce.

READ again—

Financial Resolution No. 384, dated the 25th January 1879.

Read—

Letter from the Comptroller-General, No. 713, dated 11th July 1881.

RESOLUTION.—In the Resolution of January 1879 read in the preamble, it was said (paragraph 8)—

"It is the duty of every disbursing officer to reduce to the utmost his demands upon the public treasury, and not to draw money in advance of his requirements. This applies as much to an officer who has a drawing account with a Presidency bank, as to one who has a treasure chest. The balances at credit of drawing accounts and deposited in treasure chests should alike be kept down to the lowest possible amounts. It is the duty of Accountants General to watch these accounts with a view to securing this object."

XXII—concluded.

2. The Comptroller-General has now furnished a report of his examination of some of the *ex-officio* accounts of public officers kept in Presidency banks. It appears from this report that, notwithstanding the orders quoted in the first paragraph, public money is in several cases unnecessarily kept out of the public treasury, by the contrivance of private accounts opened with the banks. Thus, for instance, officers who have letters of credit draw from the Government treasury larger sums than they require, and forthwith place them to their credit in the bank. The Controller of Military Accounts states that he finds it a regular practice in some places to draw the whole monthly allotment in the beginning of the month, and then to leave it in private account to be drawn against as required; and large sums sufficient for a half-year's requirements are sometimes drawn as permanent advances for the contingent expenditure of an office, and then deposited in a bank.

Ruling that no public officer shall open an account with a bank in respect of public money without the consent of the officer to whose audit he is subject.

3. Such arrangements are irregular, and are not required in the interests of the public business. The Governor-General in Council is therefore pleased to rule that no public officer, who is supplied with funds from the public treasury, or who, in the exercise of his duty, receives money on the part of Government, either in deposit or as revenue, shall open an account with a bank in respect of such funds or money without the previous consent of the officer to whose audit he is subject.

4. The Comptroller-General will issue needful instructions (which should first be submitted for the approval of Government) for the guidance of account officers in the Civil, Public Works, and Military Departments, in determining the cases in which private banking accounts may be allowed in respect of public money. In preparing these instructions he will bear in mind that in certain cases—*e.g.*, those of Private and Military Secretaries, officers in the Political Department, and officers having the management of purely private moneys—the objections to the system of separate banking accounts are of less consideration than the convenience of using banking procedure.

XXIII. RULINGS CONNECTED WITH PROVINCIAL RULE VI REGARDING INTER-PROVINCIAL ADJUSTMENT OF CHARGES AND REVENUES.

No. 3520, dated Simla, the 27th October 1880.

RESOLUTION—By the Government of India, Department of Finance and Commerce.

READ again the following Rule (VI) of the rules and conditions which apply to the administration by the Local Governments of the revenues and services surrendered to provincial uses and management:—

> VI.—A Local Government must accept, without remonstrance, any charge which would, under the system in force before 1871-72, have been recorded under any of the transferred heads of account, in the accounts of its presidency or province; and must not raise objections on such grounds as that the charge has originated outside the presidency or province, or that the presidency or province is not interested in it, or the like. If any doubt arises at any time whether any charge should or should not be entered under any particular head in the accounts of any presidency or province, such doubt must be solved by one test only, viz. "How would it have been entered if it had occurred before 1871-72, when the powers and responsibilities of Local Governments were first enlarged?" Thus, for example, the pay or leave allowances of an officer belonging to another administration, on duty or on leave in the North-Western Provinces, and drawn there, must be charged in the accounts of the North-Western Provinces. The Governor-General in Council did not intend by the measure of 1870, and does not now intend, to introduce or authorize any change of practice in such matters, or any inter-provincial, inter-presidential, or inter-departmental adjustments not theretofore allowed. In regard to all such transactions, the arrangements made with the local Governments were calculated upon the basis of the system which existed before the year 1871-72.

Under this rule all revenue and expenditure is recorded at *once in* the accounts of the province within which it is collected or incurred, without any reference to its origin or subject. No inter-provincial adjustments are allowed.

2. This procedure has been found to be often distasteful to the local Governments, and to militate against the economical management of the provincial finances.

XXIII—continued.

3. The Governor-General in Council has accordingly resolved that charges of all kinds, including pensions, salaries, absentee allowances, and contingencies incurred by one Provincial Government on behalf of another, or by a Provincial Government on behalf of the Imperial Government, or by the Imperial Government on behalf of a Provincial Government, shall be defrayed by the Government on behalf of whom they are incurred, saving that, in order to save trouble, such adjustments must be confined to items which are either recurring or exceed Rs. 100.

Inter-provincial adjustment authorized in respect of charges recurring or exceeding Rs. 100.

4. This decision will not involve any change in the existing procedure of the public accounts, in which the transactions in question will be finally recorded as now where they occur, and not transferred to the accounts of other provinces.

5. The desired relief to the disbursing Governments will be afforded through a clearing account, to be kept by the Comptroller-General outside the public accounts as follows:—

Such adjustment to be made by a clearing account to be kept by the Comptroller-General.

An Accountant-General making a claim upon another Accountant-General, or upon the Comptroller-General, under this Resolution, must, in the first instance, obtain the consent of the Accountant-General against whom the claim is made and communicate it to the Comptroller-General. The Comptroller-General will keep an account of all the claims thus established by and against each Government during the year, including the Imperial Government, and at the end of each year clear these accounts, once for all, by mutual adjustments of the provincial balances.

6. It is believed that the introduction of this system will not cause any such disturbance of the relative burdens of the several Local Governments as to necessitate any preliminary re-adjustment of the provincial assignments. It would be difficult to ascertain the facts requisite for such re-adjustment.

7. The Governor-General in Council is willing to allow a like inter-provincial adjustment of the revenue collected in one province on account of another; as, for example, the excise duties levied in one province on articles consumed in another. His Excellency in Council is indeed in favour of such adjustments if they can be arranged; but such adjustments of revenue cannot be authorized until the local Governments, whose provincial finances would be affected, agree

A like inter-provincial adjustment authorized in respect of revenue collected in one province on account of another.

XXIII—concluded.

among themselves upon the preliminary re-adjustment in this respect of their provincial assignments, and as to the conditions which shall attend the prospective mutual adjustment of their revenues.

8. The Governor-General in Council will be glad if the several Local Governments will endeavour to arrange these preliminaries among themselves.

Imperial revenue or charge not affected by these orders.

9. It is to be clearly understood that the present orders do not affect any Imperial revenue or charge. No inter-provincial or inter-departmental adjustments of such charges are allowed.

XXIV. RULINGS CONNECTED WITH PROVINCIAL RULE VIII FORBIDDING THE EXHAUSTION OF PROVINCIAL BALANCES IN THE IMPERIAL TREASURY.

No. 1137, dated Fort William, the 23rd February 1878.

RESOLUTION—By the Government of India, Financial Dept.

THE accounts of the year 1876-77, now ready to be closed, show balances due by the Governments of Madras and Bombay to the Imperial Government as follows :—

	Rs.		Rs.
Madras ...	35,67,350	Bombay ...	16,91,170

2. The Government of Madras had overdrawn its account before the famine began by Rs. 2,33,860; otherwise these adverse balances are substantially due to the expenditure incurred in the Madras and Bombay Presidencies for famine relief.

3. The Governor-General in Council is now pleased to direct that the sum of Rs. 35,67,350 shall be granted to the Government of Madras, and the sum of Rs. 16,91,170 to the Government of Bombay, in order to place the provincial finances of both Governments in exact equilibrium at the end of the year 1876-77. These grants are to be charged in the accounts of 1876-77 to the following heads:—

	Rs.
Famine relief	50,24,660
Payments to local Governments under Provincial Service contracts	2,33,860
Total ...	52,58,520

4. The latter sum of Rs. 2,33,860 will be recovered in the year 1878-79 by reduction of the grant from the Imperial revenues to the Government of Madras for provincial services during that year.

5. The Governor-General in Council takes this opportunity of ordering that under no circumstances shall any debt due under the Provincial Service Contracts by a local Government to the Imperial Treasury be included as Imperial revenue under the head of "Payments by local Governments under Provincial Service Contracts," or appropriated in reduction of the "Payments to local Governments under Provincial Service Contracts."

XXIV—concluded.

Local Governments forbidden to exhaust their balances in the Imperial Treasury, or to incur any debt for their Provincial Services to the Imperial Government. Such debt, however, when incurred, must be cleared by an additional Imperial grant, which should be charged as a "Payment to Local Governments under the Provincial Service Contracts."

6. By the VIIIth Provincial Rule, local Governments are stringently forbidden to exhaust their balances in the Imperial Treasury, or incur any debt for their Provincial Services, to the Imperial Government. If, notwithstanding this prohibition, the accounts of any local Government with the Supreme Government, in respect to its Provincial Services, shows a balance due at the end of the year to the Imperial Treasury, such balance must be cleared by an additional grant from the Imperial Treasury for that year, which grant should be charged as a "Payment to local Governments under the Provincial Service Contracts."

Such grant to be repaid by a corresponding reduction of the assignment for the following year.

7. Whenever such an additional grant to any Provincial Government is given, the Government concerned will be required to make immediate provision for its repayment; and, unless special circumstances induce the Government of India to consent to some other arrangement, the assignment to the local Government for the following year will be reduced by the amount of the additional grant.

RULINGS CONNECTED WITH PROVINCIAL RULE IX REGARDING LOANS OF PUBLIC MONEY. XXV.

No. 2206, dated Simla, the 28th July 1877.

RESOLUTION—By the Government of India, Financial Department.

READ—Again the following Proceedings in the Financial Department:—

Accounts, October 1869, Nos. 56 and 57.
„ „ 1873, No. 30.
„ „ 1875, Nos. 27 to 31.
„ February 1876, No. 56.
„ March 1876, No. 9.
Accounts and Finance, May 1876, No. 45.
„ „ June 1876, „ 1.
„ „ July 1876, Nos. 47 to 50.
„ „ October 1876, Nos. 3 and 4.
Resolution No. 1522, dated 16th March 1877.
„ „ 1170, „ 18th June 1877.

Read—

A lettter from the Government of Madras, No. 1542, dated the 24th April 1877, soliciting sanction to certain advances of small amounts made to the ryots of Bonvanka and Vundeyoor, in the Ganjam and Madura districts, for rebuilding houses destroyed by fire; also requesting that general powers may be granted to that Government to make similar advances, subject to such restrictions as to amount and report, as may be deemed necessary.

Read—

Takavi Proceedings in the Revenue Department, April 1877, Nos. 1 to 24.

Read—

Despatch from the Secretary of State, received in the Revenue Department, No. 42, dated 10th May 1877.

Read—

A letter from the Government of Madras, No. 1728, dated 18th June 1877, asking confirmation of its orders authorising the Collector of Nellore to make advances to the newly-established Municipality of Ongole, to be adjusted when the municipal taxes are realised, and for general sanction to such advances subject to adjustment within the year.

RESOLUTION.—By Resolution in the Financial Department, No. 3619, dated 30th September 1869, the Governor- Recapitulation of the Rules in force for the grant of advances.

XXV— continued.

General in Council decided that the particular sanction of the Supreme Government for each Takavi advance was not necessary, and that it would suffice for the Local Governments to obtain sanction for the disbursement of lump sums from time to time on this object.

2. These advances will, in future, be regulated by the rules framed under the Land Improvement Act, 1871. The rate of interest under these rules is one anna in the rupee, or $6\frac{1}{4}$ per cent. per annum.

3. By Resolution in the Financial Department, No. 191, dated 12th January 1876, the Government of India decided that, without the special sanction of the Government of India in the Financial Department, no loan of public money shall be made under the provisions of any special law bearing a less rate of interest than $4\frac{1}{2}$ per cent., and no such loan shall be made otherwise bearing a lower rate of interest than 6 per cent.

4. By orders in the Revenue Department, No. 10, dated 21st March 1876, the Government of the North-Western Provinces was authorized to make advances, in any case of emergency for such purposes as the purchase of seeds, grain, &c., without interest, reporting the matter simultaneously to the Government of India.

5. By Resolution in the Financial Department, No. 1291, dated 30th June 1876, it was declared that—

1st—no advances should be made without the general or special sanction of the Government of India, unless, in any case, the Local Government is empowered by law to make such advances without reference to the Imperial Government.

2nd—regular provision should be made in the estimates for all advances, and no advance should be made without the special sanction of the Government of India unless funds have been duly provided in the estimates and sanctioned by the Governor-General in Council.

6. By Resolutions Nos. 1451, dated 9th July 1873, 5206, dated 26th August 1874, and 465, dated 26th May 1876, Local Governments were authorised, under certain defined circumstances, to advance money without interest to public servants to enable them to build houses.

XXV—continued.

7. By Resolutions No. 3687, dated 30th September 1875, and No. 1170, dated 18th June 1877, provision was made for the immediate report to the Supreme and Local Governments of any default in the payment of interest upon a loan of public money or in the repayment of its capital amount, and for the levy of compound interest at six per cent. upon over-due instalments. A Local Government receiving intimation of such default was also required to explain to the Government of India at once the causes of the default and the steps taken to remedy it.

Amendment and consolidation of existing rules.

8. The Governor-General in Council considers it expedient now to substitute the following amended and consolidated order for these scattered Resolutions, and at the same time to dispose of the two pending references from the Government of Madras, recited in the preamble.

Limits and rates of interest for advances under the Land Improvement Act, 1871.

9. Advances made under the *Land Improvement Act*, 1871, are regulated by rules passed by each Local Government with the approval of the Governor-General in Council under authority of the Act. Provision for these advances may be made in the estimates of each year without further sanction by the Government of India, as follows:—

	Rs.
Governments of Madras, Bombay, and the North-Western Provinces and Oudh, each ...	2,00,000
Government of the Punjab	1,50,000
Governments of Bengal, Mysore, and the Central Provinces, each	1,00,000
Governments of Assam, British Burmah, and Berar, each	50,000

If any Local Government or Administration wishes to make a larger provision than this, the previous sanction of the Government of India must be obtained. Sums thus provided in the estimates may be disbursed without any further orders by the Government of India than may in any case be required by the local rules under the Land Improvement Act. The yearly rate of interest fixed by these rules is one anna in the rupee or 6¼ per cent.; but the Local Government may, if in any case it considers it expedient, for special reasons, reduce this rate to 4½ per cent., or remit due interest in excess of this rate.

Advances under the Local Public Works Loan Act.

10. The powers of the Local Government under the *Local Public Works Loan Act*, 1871,* are regulated by rules

* Repealed by Act No. XI of 1879. (The Local Authorities Loan Act, 1879.)

XXV— continued.

published under the Act by Notification No. 3761, dated 18th October 1873.*

Limits and rates of interest for loans for relief of persons suffering from some temporary calamity.

11. Besides advances under the Land Improvement and Local Public Works Loan Acts it somtimes becomes necessary to make loans of public money for the relief of persons suffering from some temporary calamity, as for instance the destruction of houses or crops, or seed grain, or agricultural stock by some calamity of season, or by fire, or flood, or for some miscellaneous object such as that described in the letter from the Government of Madras, No. 1728, dated 18th June 1877, now read. The local Governments are authorized to advance money in such cases at their discretion within the following limits:—

	Limits of	
	each advance.	all advances during the year.
	Rs.	Rs.
Governments of Bombay and Madras ...	2,500	25,000
Lieutenant-Governors	1,000	10,000
Chief Commissioners	500	5,000

The yearly rate of interest upon such advances should ordinarily be, as for advances under the Land Improvement Act, one anna in the rupee, or 6¼ per cent.; but the Local Government may, at its discretion, for special reasons, make such advances at a lower rate of interest, or even without interest, or remit any part of the interest due upon such advances. It is not necessary generally to make any provision in the estimates for this class of advances, the amount of which is never likely to be large, and cannot, ordinarily, be foreseen.

Rules for re-payment of advances.

12. The following general rules should apply, as far as the law and existing regulations allow, to all the advances to which reference is hereinbefore made:—

(*a*) The advances should be repaid in not more than twenty equal half-yearly instalments including interest; the first instalment of principal to be repaid six months after the loan is completely taken up.

(*b*) Temporary advances to municipalities should be re-payable in not more than twelve months.

(*c*) A penal rate of compound interest not less than six per cent. should be enforced, as far as the law allow,

* Superseded by Notifications No. 3745, dated the 8th November 1879, and No. 591, dated the 31st January 1882.

upon all over-due instalments of interest or principal and interest, and this should not be lightly remitted. **XXV—concluded.**

(*d*) Any default in the payment of interest upon a loan of public money or in the re-payment of the principal, should be promptly reported by the Account Department to the Local Government, and if the loan was sanctioned by the Governor-General in Council to the Supreme Government. A Local Government receiving such a report should, in the case of a loan sanctioned by the Governor-General in Council, immediately explain the circumstances to the Government of India in the Home, Revenue, or Public Works Department, as the case may be, and the steps which it has taken to remedy the default.

13. No fresh orders are needed about building advances to public officers, which must be regulated, as heretofore, by the rules in Resolutions No. 3123, dated 25th August 1871, and No. 5206, dated 26th August 1874. **Building advances to public officers.**

ORDERED that this Resolution be communicated to the Home, Revenue, and Public Works Departments for information.

Ordered also that this Resolution be communicated for information and guidance to all Local Governments and Administrations, to the Comptroller-General, and to the several Accountants-General and Deputy Accountants-General in independent charge. The proceedings of the Government of Madras in the particular cases reported in the two letters now read for the first time are sanctioned.

No. 2485, dated Calcutta, the 27th June 1878. **XXVI.**

From—D. BARBOUR, Esq., Offg. Secy. to the Govt. of Bengal, Financial Department,

To—The Secretary to the Government of India, Department of Revenue, Agriculture and Commerce.

WITH reference to the Resolution of the Government of India, in the Financial Department, No. 2206, dated 28th July 1877, on the subject of the grant of loans of public money, I am directed to say that applications are sometimes received from District Road Cess Committees for temporary advances to enable them to carry out works for the relief of local distress occasioned by the failure of crops or by other causes, but that there do not exist any definite rules under which such applications can be dealt with. The

XXVI—concluded.

timely grant of even slight aid is often of great public advantage in such cases, and the Lieutenant Governor thinks there should be some regular means of giving prompt assistance to committees when they are willing to undertake at once works which would otherwise be deferred to another year, but which, if taken in hand at the time, will afford relief to the distressed classes and prevent additional expenditure falling on the General Revenues while costing nothing to the District Road Fund.

Asking for extension of the powers of the Local Government to advance money to District Road Cess Committees for relief works.

2. The limits laid down in paragraph 11 of the Resolution quoted above are far too small to meet the requirements of such cases, both as regards the limit for each advance and the total limit for the year, and the Lieutenant-Governor has been obliged in several recent instances to permit committees to overdraw their balances within certain limits in order to enable them to proceed with works which were of value for purposes of relief. I am therefore to request that the power of the Lieutenant-Governor may be extended, so as to enable him to advance money at his discretion to District Road Cess Committees, provided that any such advance shall not be for a longer period than one year, and shall not exceed Rs. 20,000 in any case without the special sanction of the Government of India, and shall be immediately reported to the Government of India if the amount exceed Rs. 10,000.

XXVII.

No. 2050, dated Simla, the 31st July 1878.

From—R. H. HOLLINGBERY, Esq., Assistant Secretary to the Government of India, Financial Department,

To—The Secy. to the Govt. of Bengal, in the Financial Dept.

I AM directed to acknowledge the receipt of your letter No. 2485, dated 27th June 1878, to the address of the Secretary in the Department of Revenue, Agriculture, and Commerce, representing that the limits of the advances which His Honor the Lieutenant-Governor is empowered, under paragraph 11 of the Resolution in this Department, No. 2206, dated 28th July 1877, to make are too restricted, both as regards the limit for each advance and the limit for the year, to allow of compliance with applications from District Road Cess Committees for loans to enable them to prosecute works which are of value for purposes of relief.

XXVII—concluded.

2. The proposal submitted is that the power of the Lieutenant-Governor should be extended so as to enable him to grant loans of public money at his discretion to District Road Cess Committees, provided that any such advance shall not be for a longer period than one year, and shall not exceed Rs. 20,000 in any case without the special sanction of the Government of India, and shall be immediately reported to the Government of India, if the amount exceed Rs. 10,000.

3. In reply, I am to state that His Excellency the Governor-General in Council is pleased to sanction this proposal on the conditions specified in your letter, and with the additional proviso that the aggregate of these advances must be kept within the provincial balance for the time being.

Powers of the Local Government to advance money to District Road Cess Committees for relief works, extended to a limit of Rs. 20,000 for one year in each case.

XXVIII.

No. 184, dated Fort William, the 18th January 1879.

RESOLUTION—By the Government of India, Financial Department.

READ again—

The Resolution in this Department, No. 2206, dated 28th July 1877, laying down the procedure for the grant and repayment of loans of public money.

By paragraph 11 of this Resolution, Local Governments and Administrations were empowered to make, at their discretion, and for special reasons, small advances at 6¼ per cent. interest, with permission to allow even a lower rate sometimes, for such objects as the relief of individuals suffering from calamities of season, or for the provision of seed-grain or agricultural stock.

2. In some instances, however, Local Governments have, in anticipation of the approval of the Government of India, made larger advances than they were competent to sanction, and at a lower rate of interest than 6¼ per cent.

3. His Excellency in Council consequently directs that no more such unauthorized advances shall thus be made in anticipation of approval, and that the rate of interest charged upon such loans shall not, without very special reasons, be reduced below 6¼ per cent.

The Local Governments warned against making larger advances for relief purposes than they are competent to sanction, and at a lower rate of interest than 6¼ per cent.

XXVIII—concluded.

All such loans to be made upon the security of the Provincial Revenues

4. The Governor-General in Council further is of opinion that in future all such loans shall be held to be made upon the security of the Provincial Revenues, which will be required to make good the principal and interest if the debtor do not pay.

XXVIIIa.

No. 2448, dated Simla, the 28th August 1879.

RESOLUTION—By the Government of India, Department of Finance and Commerce.

READ again—

Financial Resolution No. 747, dated 26th May 1879, prescribing certain rules in respect of future loans under section 6 of the Local Public Works Loan Act, 1871, and of any exceptional loans from the public treasury.

Read—

A letter from the Government of Bengal, No. 1672, dated 21st June 1879, requesting authority to make advances from Provincial Funds to Municipalities, on such terms as may seem suited to the occasion, either with or without interest, when the amount asked for does not exceed Rs. 5,000.

Placing Rs. 25,000 a year at the disposal of the Local Government for making loans to Municipalities. Each loan is not to exceed Rs 5,000, but may be on such terms and conditions as to interest as the Local Government may decide

WITH a view to enable the several Local Governments and Administrations to make small loans to Rural Municipalities without reference to the Government of India, the Governor-General in Council is pleased to place Rs. 25,000 a year at the disposal of each Local Government,* and Rs. 10,000 at the disposal of each of the Local Administrations named in the margin,† for the purpose of making loans to municipalities, on the understanding that in no case shall the amount of any one loan exceed Rs. 5,000. Each loan may be on such terms and conditions as to interest as the Local Government or Administration making it may decide.

* Bombay.
Madras
Bengal.
North-Western Provinces and Oudh.
Punjab.

† British Burmah.
Assam.
Central Provinces.

N. B—For further rules regarding loans, see heading "Productive Public Works (Provincial)—Rules for raising loans for—, and carrying out works with borrowed funds," also the rules published, under The Local Authorities Loan Act, 1879, by Notification No. 3745, dated the 8th November 1879, and No. 591, dated the 31st January 1882.

RULINGS CONNECTED WITH PROVINCIAL RULE XI PRESCRIBING DATES FOR SUBMISSION OF BUDGET ESTIMATES. XXIX.

Dated Calcutta, the 24th August 1877.

RESOLUTION—By the Govt. of Bengal, Financial Department.

READ the following :—

Circular No. 17, dated 16th June 1875, from this Department, fixing the dates for the submission of budget estimates.

Resolution of the Government of India, in the Financial Department, No. 1709, dated 22nd March 1877, laying down rules for the management of Provincial Revenues and Services, and directing the submission of accounts and budget estimates on or before the 31st January of each year.

Letter to Accountant-General, No. 901, dated 27th March 1877, enquiring if any change would be necessary in the dates fixed in the Circular, dated 16th June 1875, above read.

Resolution of the Government of India, Financial Department, No. 1886, dated 28th March 1877, directing that the consolidated estimates (Imperial, Provincial, and Local Funds) should be submitted to that Government not later than the 25th January 1877.

Letter No. 4180, dated 14th August 1877, from the Accountant-General, suggesting revised dates for the submission of budget estimates.

The recent orders of the Government of India, extending the system of Provincial finance, render it necessary to alter the arrangements hitherto in force for the preparation and submission of budgets and accounts. Under the former orders of the Government of India, the dates for the submission of budget estimates were the following as regards Imperial Services :—

	To Commissioners.	To Board	To Accountant-General	To Government.
From Collectors	20th July ..	20th August.	15th September	20th December
,, Magistrates	20th August	...	Ditto	Ditto
,, Judges . . .	Ditto		Ditto	Ditto
,, Ecclesiastical Registrars	..	.	1st November	Ditto.
,, Inspector General of Indian Medical Department			Ditto ..	Ditto
,, Conservator of Forests .			15th September	20th September

XXIX—continued.

In regard to Provincial Services and Local Funds, it was laid down that local officers should forward their estimates to the Accountant-General by the 15th November, and that that officer should submit them to Government by the 1st January of each year.

The budget estimates of all departments and services to reach the Government of India not later than the 25th January. The accounts of Provincial Services, including local funds, to be consolidated with the Imperial accounts.

2. The Government of India have now directed that the budget estimates of all departments and services should reach them not later than 25th January, and that the distinction hitherto existing between Imperial and Provincial Services must no longer be observed, but that a consolidated statement of these services, including local funds, should be submitted yearly.

3. After consulting the Accountant-General as to whether, under these orders of the Government of India, any change is necessary in the arrangement hitherto in force, the Lieutenant-Governor is pleased to fix the dates as shown in the accompanying statement for the future submission of budget estimates of Imperial and Provincial Services. As regards local funds, His Honor directs that the local officers should submit their estimates to the Accountant-General not later than 1st October.

4. The Lieutenant-Governor desires to impress on all officers concerned in the preparation of estimates the necessity of submitting them punctually to the Accountant-General on the dates now prescribed, in order that they may reach Government not later than the 10th December in each year.

ORDER.—Ordered that a copy of this Resolution be forwarded to all Heads of Departments, as in Circular No. 17, dated 16th June 1875, for information and guidance.

Statement showing the dates of submission of the Imperial and Provincial Services Estimates.

XXIX—concluded.

Designation of Officers.	Date of submission			
	To Commissioner.	To Board.	To Accountant-General.	To Government of Bengal.
Collectors of Revenue	20th July ...	20th August	15th September	
Collector of Customs, Calcutta	Ditto ...	Ditto ...	Ditto ...	
Collectors of Customs at outposts ...	Ditto ...	Ditto ...	Ditto ...	
Superintendent of Sulkea Salt Golahs ...	Ditto ...	Ditto ...	Ditto ...	
Opium Agent of Behar	.....	Ditto ...	Ditto ...	
Ditto of Benares	.....	Ditto ...	Ditto ...	
Superintendent of Stamps	.....	Ditto ...	Ditto ...	
Ditto of Stationery	.....	Ditto ...	Ditto ...	
Commissioners of Divisions	.....	Ditto ...	Ditto ...	
Mofussil Magistrates	20th August ...	.....	Ditto ...	
Judicial Commissioner, Chota Nagpore...	.....	.....	Ditto ...	
Judges, Civil and Sessions	.....	.....	Ditto ...	
Ditto, Mofussil Courts of Small Causes	.....	.....	Ditto ...	
Ooriya Translator, Cuttack	.....	.....	Ditto ...	
Private Secretary to the Lieutenant-Governor	.....	.....	1st November	
Secretary to the Government of Bengal...	.....	.....	Ditto ...	
Ditto to the Legislative Council, Bengal	.....	.....	Ditto ...	
Board of Revenue, Lower Provinces ...	.....	.....	Ditto ..	
Secretary to the Bank of Bengal ...	.....	.....	Ditto ...	
Bengali Translator to Government ...	.....	.....	Ditto ...	
Superintendent of Botanical Gardens ...	.....	.....	Ditto ...	
Ditto in charge, Cinchona Plantation	.....	.....	Ditto ...	
Secretary, Asiatic Society	.....	.....	Ditto ...	
Protector of Emigrants	.....	.....	Ditto ...	
Superintendent of Labour Transport, Calcutta	.....	.....	Ditto ...	10th December.
Chairman of the Economic Museum ...	.....	.....	Ditto ...	
Secretary, Central Examination Committee	.....	.....	Ditto ...	
Meteorological Reporter to Government of Bengal	.....	.....	Ditto ...	
Magistrates, Northern and Southern Divisions, Calcutta	.....	.....	Ditto ...	
Commissioner of Police, Calcutta ...	.....	.....	Ditto ...	
Judges, Court of Small Causes, Calcutta	.....	.....	Ditto ...	
Registrar, High Court	.....	.....	Ditto ...	
Superintendent and Remembrancer of Legal Affairs	.....	.....	Ditto ...	
Chief Reporter, Law Reporting Staff ...	.....	.....	Ditto ...	
Master-Attendant	.....	.....	1st December	
Examiner of Dockyard Accounts ...	.....	.....	Ditto ..	
Shipping Master	.....	.....	Ditto ..	
Ecclesiastical Registrars	.....	.....	1st November	
Chaplain of the Church of Scotland ...	.....	.....	Ditto ...	
Inspector-General of Jails, Lower Provinces	.....	.....	Ditto ...	
Inspector-General of Registration, Lower Provinces	.....	.....	Ditto ...	
Inspector-General of Police, Lower Provinces	.....	.....	Ditto ...	
Director of Public Instruction	.....	.....	Ditto ...	
Surgeon-General, Indian Medical Department	.....	.....	Ditto ...	
Sanitary Commissioner, Bengal	.....	.....	Ditto ...	
Secretary to the Government of Bengal, Public Works Department	.....	.....	15th November	
Conservator of Forests	.....	.....	.....	1st October.

Dates of submission of the Imperial and Provincial Services estimates to respectively Commissioner, Board, Accountant-General, and Bengal Government.

XXX. WORKING OF THE SCHEME OF PROVINCIAL SERVICES UNDER THE CONTRACT OF 1877.

No. 2506, dated Fort William, the 8th December 1877.

RESOLUTION—By the Government of India, Financial Dept.

READ again the following papers:—

The Financial Statement for 1877-78 made by the Hon'ble Sir John Strachey, K.C.S.I., on the 15th March 1877; and the following Accounts and Finance Proceedings of the current year:—

Months.	Numbers.
April	32 to 37.
May	3 to 5.
July	117 to 121.
August	24, 25, and 66.
June	No. 1.

1. The Proceedings now read again record the measures taken, with effect from the beginning of the current financial year, for the extension of the financial powers and responsibilities of some of the Local Governments and Administrations. Those measures were communicated to these Governments by letters and Resolutions numbered and dated as follows:—

To Government, North-Western Provinces, No. 852, dated 10th February.

To Government, North-Western Provinces, No. 43, dated 17th April.

To Chief Commissioner, Oudh, No. 1445, dated 8th March.

To the Government of the North-Western Provinces and Oudh, No. 1807, dated 26th March.

To the Government of the North-Western Provinces and Oudh, No. 1740, dated 13th July.

To the Government of Bengal, No. 1801, dated 26th March.

Ditto ditto, No. 2237, dated 31st July.

To the Chief Commissioner, Central Provinces, No. 485, dated 31st May.

To the Government of Bombay, No. 2309, dated 2nd August 1877.

XXX—concluded.

2. Doubtless, the Local Governments are not yet in a position to express any mature or final judgment upon the working of these important orders and changes; but the Governor-General in Council will be glad of immediate reports thereon, so far as any opinion can now be formed. These Reports should be such as can be made at once, upon the general knowledge and experience already in possession of each Government: no enquiries should be instituted involving any delay. To be of any use, each report should be despatched, at latest, within one week from the receipt of this Resolution.

Call from the Government of India for a general opinion on the working of the measures taken in March 1877 for the extension of the system of Provincial finance.

The Governor-General in Council desires especially to know—

Special points to be noticed in the report.

(1).—What are now the prospects, during the current year, of the revenues transferred to the management and use of each Local Government, and how far each Government is now likely to be able to fulfil the obligations assumed by it?

(2).—How the Imperial Acts VII and VIII (The North-West Provinces License Act, 1877) and the Bengal Act II of 1877 (The Provincial Public Works Act) are working, and what is now estimated to be the addition resulting from each of these Acts to the revenues of the Local Governments concerned?

3. The history, so far, of any other legislation which has been proposed, as, for instance, for the levy of a compulsory water-rate. Each Local Government should mention any other facts, and make any other remarks which may occur to them, in order to illustrate the working of these measures, always provided that no delay be permitted in the preparation of its Report.

XXXI.

No. 4192, dated Calcutta, the 14th December 1877.
From—A. MACKENZIE, Esq., Secretary to the Government of Bengal, Financial Department,
To—The Secretary to the Govt. of India, Financial Dept.

I AM directed to acknowledge receipt of Financial Resolution No. 2506, dated the 8th instant, asking for an immediate report on the working of the orders of March last, extending the financial powers and responsibilities of

Submitting the report called for.

XXXI— continued.

local Governments. The Government of India admit that it is not possible for any local Government as yet to express a mature or final judgment on the effects and tendencies of such important changes. All that is asked for is a general opinion on the working of the scheme, based upon the experience already gained, and an estimate of the probability or otherwise of the local Government being able to fulfil its engagements in the current year. Special information is also requested with reference to recent measures of provincial taxation and any other similar measures now in contemplation.

2. Dealing first with the question of Provincial Services, I am to say that the Lieutenant-Governor has only at present before him accounts showing the actual expenditure of 1876-77, and the Accountant-General's consolidated abstract of receipts and disbursements for the first six months of the current year. In the regular estimate for 1876-77 it was assumed that the closing balances of that year would probably stand thus:—

			Rs
Under Provincial Services	..	...	47,692
Ditto Reserve	...	...	1,03,027
	Total		1,50,719

The actual closing balance of 1876-77 better than the estimated by seven lakhs of rupees.

Owing partly to the fact that the outlay was less and the receipts greater than had been anticipated, and partly to faulty preparation of the regular estimate itself, the actual closing balance has turned out to be better than the estimated by seven lakhs of rupees, and stands thus:—

			Rs.
Under Provincial Services	...	...	2,88,446
Ditto Reserve	...	...	5,62,130
	Total	...	8,50,576

XXXI—continued.

3. The following statement shows the receipts of the first six months of the current year under all the main heads of *Service*, as compared with the receipts during the corresponding period of last year:—

Comparative statement of the receipts of the first six months of 1877-78 and of the corresponding period of 1876-77, showing an improvement of Rs. 18,38,810 in 1877-78.

Provincial Services.	Six months' Receipts. 1877-78. Rs.	1876-77. Rs.
Land Revenue	50,876	34,505
Excise	36,06,910	31,91,669
Customs	32,542	26,998
Salt	1,15,355	1,19,797
Stamps	62,14,967	51,11,681
Law and Justice	3,74,259	4,03,231
Jails	3,15,779	2,69,305
Registration	3,53,284	3,04,854
Police	38,905	29,283
Marine	6,31,576	4,44,049
Education	2,78,715	2,43,532
Medical	76,313	53,117
Printing	30,592	31,650
Miscellaneous	1,34,241	1,76,069
Public Works	40,025	19,117
Cash recoveries	9,963	6,633
Total Provincial Service Receipts ...	1,23,04,300	1,04,65,490

This shows an improvement in Receipts of Rs. 18,38,810. (In the above Statement the Imperial allotment is for obvious reasons not treated as a receipt for purposes of comparison.)

Remarkable improvement in the Excise revenue.

4. The *Excise* revenue has shown remarkable improvement, attributable no doubt to the general prosperity of the country, and to increased attention paid to this branch of the revenue on the part of district officers. If the receipts in the last six months of the year bear the same ratio to the receipts of the first half as has been usual in former years, the revenue under this head may very probably be close upon 70 lakhs of rupees. Steps are being taken to secure this, and even a higher revenue, by the re-organization of the excise arrangements throughout the country, by more energetic efforts to suppress illicit distillation, by reforms in the matter of ganja, by raising the prices of excise opium,

Steps in operation for further improvement in the administration of the "Excise" revenue.

XXXI— continued.

and by more careful local inspection by selected officers, and more vigorous administration in every branch of the department.

Improvement of over 11 lakhs in the "Stamp" revenue abnormal, being attributable to the operations under the Land Registration Act, and to a rush of suits filed in anticipation of the expiry of the old Civil Procedure Code on the 30th September 1878.

5. The *Stamp* revenue has also, so far, shown an abnormal development, attributable in the early months of the year to the operations under the Land Registration Act. But as nearly four lakhs out of the gross improvement of 11 lakhs shown in the table were realized in the month of September, and that mainly under court fee stamps, there is good ground for supposing that the revenue of the first-half of the year has been unduly swelled by a rush of suits filed in anticipation of the expiry of the old Civil Procedure Code on the 30th September. The gross stamp revenue of the year cannot be expected to be 22 lakhs better than that of 1876-77. It will be satisfactory if, in the remaining months of the year, it even maintains the same figure as in the corresponding months of last year. Certain changes have, however, been introduced by the new Civil Procedure Code, which are likely to cause serious loss to the revenue until the new Stamp Bill becomes law, *e.g.*, the exemption from stamp of certificates of sale hitherto stamped as conveyances.

Under "Miscellaneous" the receipts, Rs. 1,34,241, of the first six months are no criterion of the year's income. Receipts for the year not likely to fall short of the estimate (Rs. 8,91,600.)

6. Under the head of "Miscellaneous," the receipts of the first six months are no criterion of the year's income, inasmuch as the large balances of unclaimed deposits are not credited to Government in the accounts until the close of the year. There is no reason to believe that the receipts under this head will eventually fall short of the estimate (Rs. 8,91,600), though only Rs. 1,34,241 were credited in the first six months.

Remaining heads of revenue do not call for special remark.

7. The remaining heads do not call for special remark. Jail manufactures are doing well; registration receipts show a considerable improvement; and the great development of the rice trade during the past year has sent up pilotage receipts. There are of course in all these departments corresponding increases of charge; but the balance on the whole is largely in favour of Government.

A complete return of Expenditure impossible owing to the necessary delay in the adjustment of public works charges.

8. Turning now to the Expenditure side of the account, I am to say that it is impossible to give a complete return of expenditure during the six months, owing to the necessary delay in the adjustment of public works charges. The

Accountant-General's figures are, however, shown for all the main heads in the following table:— **XXXI—continued.**

Provincial Services.	Six months' Disbursements. 1877-78.	1876-77.
	Rs.	Rs.
Refunds	3,16,520	2,92,444
Land Revenue	12,25,869	12,26,045
Excise	1,55,677	1,73,535
Customs	3,55,302	3,55,908
Salt	19,167	23,459
Stamps	1,34,618	1,26,863
Administration	6,39,727	6,84,586
Minor Departments ...	1,28,483	1,28,550
Law and Justice	30,87,324	33,27,967
Jails	7,85,968	7,97,689
Registration	2,43,894	2,36,142
Police	20,38,863	19,42,170
Marine	4,87,753	4,26,346
Education	11,95,423	12,38,120
Ecclesiastical	4,037	3,888
Medical	5,89,662	6,80,654
Stationery and Printing ...	1,70,940	1,41,776
Office Rent, Rates, and Taxes ...	83,903	75,897
Miscellaneous	93,014	1,07,234
Public Works (Ordinary) ...	7,66,487	4,80,219
Cash recoveries	9,963	6,633
Total ...	1,25,32,624	1,24,76,125

Accountant-General's figures for all the main heads of expenditure during the first six months of each of the years 1876-77 and 1877-78.

9. It will be seen that in the majority of headings, the expenditure, so far from showing any tendency to grow, is actually somewhat less than in the corresponding period of last year; and although the Public Works expenditure is relatively more, this is in fact merely an accident of account. The outlay on Public Works will almost certainly

In the majority of headings, the expenditure is less than in the corresponding period of last year.

XXXI—continued.

be well within Budget limits. In the uncertainty felt as to the effect of the revised financial arrangements, the Lieutenant-Governor has enforced a very general and strict economy.

Satisfactory progress in the receipts under Provincial Reserve

10. The receipts under Provincial Reserve also show satisfactory progress Excluding the income from Provincial Public Works Cess, they stand at a total of Rs. 6,80,277, against Rs. 5,83,983 in the corresponding six months of last year, while the expenditure was only Rs. 2,75,337, against Rs. 4,17,728.

Under the Provincial contract of 1877 the local Government has to find in 1877-78 Rs 9,65,000 over and above the receipts of 1876-77.

11. In the arrangements made by your letter of the 29th March last, for the transfer of additional Services to this Government, the receipts and the disbursements were generally calculated on the basis of the regular estimates of 1876-77. The chief exceptions to this procedure were that in Excise 64 lakhs of rupees were taken as the receipts, against 63 lakhs estimated for 1876-77, the normal rate of increase being assumed to be one lakh annually; while in "*Stamps*" and "*Law and Justice*" the normal rate of increase was assumed to be $2\frac{3}{4}$ lakhs per annum, and the revenue for 1877-78 was taken at $105\frac{3}{4}$ lakhs. From the consolidated assignment thus ascertained a lump deduction of Rs. 5,90,000 was made. Thus, apart from minor items of profit or loss, the local Government has to find in 1877-78 a sum of Rs. 9,65,000 over and above the receipts of 1876-77.

No difficulties anticipated in meeting the liabilities of this Government in the matter of Provincial Services.

12. On the whole, the Lieutenant-Governor believes that, if there be no unforeseen and serious falling-off in the remaining months of the year, he will have no difficulties in meeting the liabilities of this Government in the matter of *Provincial Services*. The opening balance has proved to be so much better than was expected, and the growth of the stamp and excise revenue has been so much larger than was hoped, while the expenditure has been kept so fairly within Budget limits, that Mr. Eden has no doubt about this Government being able to discharge its *ordinary* obligations in the current year.

The Government responsible also for meeting the charges on account of Extraordinary Public Works (Railways and Irrigation canals). These charges were

13. In addition to these, however, this Government was made responsible for meeting the charges on account of Extraordinary Public Works (Railways and Irrigation Canals). The charges so transferred were estimated to amount to about $27\frac{1}{2}$ lakhs of rupees. To meet this demand the Provincial Public Works Cess was imposed, under Act II (B.C.) of 1877. This Act did not come into force until the

XXXI—continued.

13th June last, and the Government of India, recognizing the fact that only three quarters' tax at most could be collected under it, during the current financial year, reduced the contribution payable by the Government of Bengal for Irrigation Works and State Railways to 20 lakhs of rupees. The first instalment of the cess fell due on the 28th September, and it appears from the Accountant-General's returns that only Rs. 4,06,560 were paid into the treasuries during the quarter ending on that day. This normal demand for the quarter is about 7½ lakhs, so that the collections are far below the proper standard. There were, no doubt, difficulties in getting all the notices required by the Act, on its first introduction, duly served; and as failure to pay these cesses is not attended with the same penalties as attach to default under the Revenue Sale Law, their realization is always likely to be in arrear of quarter day. The Board have been directed to urge upon district officers the importance of prompt collection, and if it is found eventually that the financial position is at all endangered by these difficulties in collection, the law must be amended so as to make the payment of the cesses with the Land Revenue absolutely compulsory. In the meanwhile, the Lieutenant-Governor cannot guarantee that he will be able to provide 20 lakhs of rupees for the purpose of meeting the interest charges for State Railways and Canals out of the proceeds of the cess in the current year. But he may be able to discharge his obligations otherwise, if the improvement in the ordinary *Service* receipts continues to the end of the year. It is, however, very important that this Government should have a reasonably large working balance in hand. It is impossible to carry on the Government with efficiency and a due regard to improvement in administration, if there is not a reasonably large surplus available after satisfying the demands of the Imperial Government. The Lieutenant-Governor has before him many necessary and useful projects which ought to be undertaken, and would be undertaken were funds available; but for the present he is compelled to proceed with great caution in the matter of expenditure, and has not been able to make that use of his improved revenue that he would have liked.

estimated to amount to about 27½ lakhs of rupees; and the Provincial Public Works cess was imposed to meet the demand. The demand reduced to 20 lakhs.

The proceeds of the Public Works cess during 1877-78 not certain to amount even to 20 lakhs of rupees.

Necessity for great caution in the matter of expenditure.

14. In paragraph 4 of Mr. Reynolds' letter No. 875, dated 24th March, the sanction of the Government of India was asked to the introduction of a Bill for imposing a

Features of the proposed Bill for imposing a compulsory water-rate.

XXXI— continued.

compulsory water-rate upon all lands protected or irrigated by the canals which have been constructed in Behar, Orissa, and Midnapore. Such a Bill was subsequently laid before the Bengal Legislative Council, its chief features being that it made all *irrigable* lands liable to the payment of a rate not exceeding Rs. 2 per acre, and all lands protected from flood by flood-embankments (if not irrigable) liable to a rate not exceeding 8 annas per acre. These rates were as a general principle to be payable by the cultivator, the zemindar being made responsible for collecting them and handing them over to Government. The duty of constructing and maintaining village channels was thrown upon the occupiers of land, under the supervision of the owner thereof. Remission of rates was to be allowed in cases where Government might fail to supply sufficient water or to maintain adequate embankments.

The Bill evoked much hostile criticism, and was finally abandoned.

15. The Bill as published evoked much hostile criticism, and numerous petitions from landholders and others, taking exception both to its principles and details, were referred to the Select Committee of Council, which sat upon the measure. The Committee found that they had not before them sufficient information to enable them to deal satisfactorily with these representations; and it was eventually determined to postpone further consideration of it until local enquiry should have been made, both in Behar and Orissa with reference to various matters of fundamental importance. The duty of directing these enquiries was undertaken by Mr. T. E. Ravenshaw, Member of the Board of Revenue, who had charge of the Bill, assisted by Mr. G. Toynbee, Officiating Collector of Cuttack. Eventually it was proposed by these officers to abandon the attempt to impose a rate upon protected lands not being irrigable, to eliminate all questions of embankments from the Bill altogether, and to introduce the compulsory rate upon irrigable lands only when it could be shown—(1) that all such lands in the villages affected had been surveyed, and that field maps and schedules of holdings existed in respect of such lands; (2) that canal water had been brought to some points within the boundary of each village whence all the irrigable lands could be commanded; (3) that a full supply of canal water would be available for some part of the year for at least one crop grown on all the lands within the village; and (4) that adequate means of drainage existed for such lands.

16. The Bill in this shape would be merely supplementary to Act VII (B.C.) of 1876, and would be brought into play gradually as the cadastral surveys extend and irrigation works are completed. The Lieutenant-Governor has just returned from visiting the Sone works. During the past season all the water which the canals could supply was freely taken at optional rates. Where the people can be relied upon to do this, it is fairer to them, and more advantageous to Government, that the optional system should continue. It remains to be seen whether they will repeat their application next year; but the result of the Lieutenant-Governor's observation is to induce him to believe that the agriculturists of Behar are really beginning to appreciate thoroughly the advantages of an assured supply of water, and under these circumstances he does not consider it expedient to press the compulsory system for the present. Orissa is not yet ready for its introduction, as the field survey there has not been completed. **XXXI—concluded.**

17. I am to add that the Lieutenant-Governor has found that the general effect of the extension of the decentralization system in respect to the facilities which it has given to provincial administration has been even more satisfactory than he anticipated. In making the local Government responsible for expenditure, and giving them a direct interest in the development of various branches of the revenue, it has secured a careful scrutiny over the expenditure of all departments, and a deep interest in all improvable heads of revenue, which has extended to all grades of the services. District officers understand that the provincial Government can sanction no new schemes and few new works unless it has a constantly improving revenue, and they have shown an earnest desire to assist the Government by the adoption of every measure which their local experience suggests as likely to have a beneficial effect upon the revenues. At the same time the local Government has, since the inauguration of the system of provincial finance in 1870-71, been in a position to carry out many works and many measures of improvement on its own responsibility, which would, under the old system, have possibly been delayed for an indefinite period. All friction with the Imperial Government has been obviated, and much useless and unsatisfactory correspondence avoided. **Provincial Administration facilitated by the extension of the decentralization scheme even to a greater degree than was anticipated.**

PROVINCIAL RESERVE FUND AND INCORPORATED LOCAL FUNDS.

XXXII.

No. 680, dated Calcutta, the 19th February 1878.

From—A. MACKENZIE, ESQ., Secretary to the Government of Bengal, Financial Department,

To—The Secretary to the Govt. of India, Financial Dept.

Forwarding the Bengal Government Resolution on the budget estimates of the Provincial Reserve Fund for 1878-79.

IN forwarding, for the information of the Government of India in the Financial Department, a Resolution by the Lieutenant-Governor, dated this day, on the budget estimates of the Provincial Reserve Fund for 1878-79, I am directed to invite the special attention of His Excellency the Governor-General in Council to paragraph 1 thereof, and to beg that the Government of India would be pleased to take into very early consideration the proposals therein set forth, which would, the Lieutenant-Governor believes, have the effect of very much simplifying the accounts of the Provincial Government.

XXXIII.

Dated Calcutta, the 19th February 1878.

RESOLUTION—By the Government of Bengal, Financial Dept.

READ—

Memorandum No. 2499C, dated 6th February 1878, from the Accountant-General, submitting estimate of receipts and charges under Provincial Reserve Fund for the year 1878-79.

"Local Fund," a term employed before 1871-72 to distinguish funds raised locally from those forming component elements of the Imperial Budget.

"Provincial Reserve Fund" a

Before the introduction of the system of Provincial Services in 1871-72, the general term 'Local Funds' was used to cover all funds raised locally, as distinguished from those which formed component elements of the Imperial Budget. After the separation of Provincial Services, Sir George Campbell directed that those funds, whose surplus balances were by law or otherwise at the unrestricted disposal of the Provincial Government, should be lumped

XXXIII—continued.

together under one head, to be called the 'Provincial Reserve Fund,' the term Local Funds being reserved to designate such funds as belonged to particular districts, departments, or municipalities, and could not be appropriated by the Provincial Government to general objects. In 1873 the Government of India ruled that it was necessary to keep a distinct record of the receipts and charges transferred from the Imperial to the Provincial Services in 1871-72, and that no receipts or charges falling properly under any of the *old* headings of "Local Funds" should be shown under the heading of "Provincial Services." The effect of these orders has been in several respects embarrassing. The Local Government has to keep two general provincial accounts, and to deal with a double provincial balance. The grants made to service heads in the budget estimates of any year can only be supplemented during the course of the year either by debiting particular works against "Provincial Reserve," or by transfers from Provincial Reserve to the ordinary service heads. The first practice has a tendency to cause confusion in the accounts of Provincial Services, and leads to an erroneous idea of the total expenditure under the service head affected; and the second practice involves necessarily double entries in the provincial accounts as a whole, and is for other reasons objectionable and confusing. The Local Government can only arrive at a knowledge of its true financial position by examining and amalgamating the two sets of accounts, and the only result of confining attention to one of them—Provincial Services—is to get an erroneous and incomplete notion of provincial finance. There is in truth no radical distinction between many of the heads of revenue now classed under Services, and those which figure in Provincial Reserve. The surplus registration fees for instance, equally with the surplus pound fees, are at the disposal of the Local Government for general purposes. On the other hand, it is quite anomalous that heavy and important public works, like those on the Calcutta Canals, should be debited to a local fund, and kept entirely outside the ordinary budget of the Public Works Department. The Lieutenant Governor believes that the circumstances under which the Government of India in 1873 insisted on the separation of the Provincial Reserve Funds have now entirely changed, and that for the future, both for Imperial and Provincial purposes, it would be much more convenient,

head subsequently opened by Sir George Campbell to distinguish those local funds whose surplus balances were at the unrestricted disposal of the Provincial Government

Embarrassing effect of India's orders to keep the receipts and charges under the old heading of "Local Funds" distinct from those of Provincial Services.

Expediency of amalgamating the "Provincial Reserve Fund" with "Provincial Services."

XXXIII— continued.

and financially correct, to amalgamate, under the head of Provincial Services, all funds and revenues which are entirely at the disposal of the Provincial Government, and on which the Provincial Government must rely to enable it to meet its obligations to the Imperial Government. The Government of India, in the Financial Department, will therefore again be asked to consider this point.

Details of proposed distribution of the Provincial Reserve under Provincial Services.

2. If the Lieutenant-Governor's proposals are approved, he would distribute the funds which now form the Provincial Reserve under the head of Provincial Services in the following manner:—

(1) "The Pound Fund"
(2) "The Pleadership Examination Fund"
(3) "The Steam-Boiler Fund"

} might form sub-heads of the Provincial major head "MISCELLANEOUS."

(4) "The Police Clothing Fund" should be placed under the major head POLICE. The double entries now involved in the maintenance of this fund would thus be got rid of.

(5) "The Darjeeling Improvement Fund" will, in any case under Government order in the Financial Department of the 24th October last, become a purely local fund, and must disappear from the Provincial Reserve Budget altogether.

(6) The "Circuit House Fund," with the "Ferry" and "Toll" Funds and other small funds now classed in the Reserve Budget as "Public Works" Funds, will be transferred to the Public Works Budget.

Orders regarding the estimates of the following funds for 1878-79.

3. Dealing now with the estimates of the various funds as submitted by the Accountant-General, the Lieutenant-Governor has to give the following orders:—

POUND FUND.

The Pound Fund.—The actual receipts from pounds in 1876-77 were Rs. 2,73,243, and the original estimate for the current year was Rs. 2,75,742. The Accountant-General, on the basis of local estimates, assumes that the receipts of 1878-79 will be Rs. 3,00,000. This figure anticipates a higher rate of increase than has been usual under this head,

XXXIII—continued.

but not more than with proper supervision the district and other pounds ought to bring in. There is notoriously in many districts much peculation in respect of pound fees. The Judicial Department of this office will be requested to press upon Commissioners and Magistrates the necessity of a critical examination of the system of check in operation in each district. The Lieutenant-Governor will accept the Accountant-General's figures, in the belief that close supervision by Magistrates and Sub-Divisional Officers will ensure their realization. The expenditure in 1876-77 having only been Rs. 1,27,794, ought not to exceed Rs. 1,45,000 in 1878-79, after making a fair allowance for new pounds and establishments, and the repair of all existing pounds. The Accountant-General's figures (Rs. 1,51,500) will be reduced to that amount, the provision under Refunds, Printing, and Public Works appearing excessive.

PLEADERSHIP EXAMINATION FUND.

4. *The Pleadership Examination Fund.*—The receipts are estimated at Rs. 6,000 and the expenditure at Rs. 5,038. Having regard to the actual expenditure of past years with relation to the fees, the expenditure ought not to exceed Rs. 4,038.

POLICE CLOTHING FUND.

5. *The Police Clothing Fund.*—With reference to contemplated revisions in the police force, it is possible to reduce the estimate of receipts of this fund for 1878-79 to Rs. 1,07,400, taking Rs. 68,000 on account of Government contributions and Rs. 35,000 for deductions. The expenditure may be estimated at Rs. 1,05,682.

DARJEELING IMPROVEMENT FUND.

6. *The Darjeeling Improvement Fund*, as above ordered, will become a local fund. Its receipts for 1878-79 may be shown in the Local Funds Budget at Rs. 14,744, and its expenditure at Rs. 14,000. Its figures are excluded from the sanctioned estimates of the Reserve Fund.

CIRCUIT HOUSE FUND.

7. *The Circuit House Fund.*—The receipts may stand at Rs. 7,400 and the expenditure at Rs. 5,800, as estimated by Accountant-General.

STEAM BOILER FUND.

8. *Steam-Boiler Fund.*—The receipts for 1878-79 will be taken at Rs. 12,000, and the expenditure must not on any consideration exceed that figure.

FERRY FUND AND PUBLIC WORKS FUNDS.

9. *Ferry Fund and Public Works.*—Under the first of these heads is shown the receipts from ferries on *district* roads, withdrawn from District Road Committees by the Resolution of Government, in the Public Works Department, No. 358A, dated 25th April 1877. There is no object in

XXXIII— continued.

making a separate fund of these. The receipts and charges of district ferries may be shown for the present under the general head of "Public Works" Funds in the Reserve Budget. In the estimates as submitted by the Accountant-General, the receipts from district road ferries for 1878-79 are estimated at Rs. 4,59,456, and the charges for management, establishment, and minor works are taken at Rs. 35,108. These figures are based on estimates received from the local officers. But there is reason to believe that the receipts from ferries on provincial roads are included in the local figures, though they are also shown separately by the Accountant-General under Public Works. The receipts from ferries on district roads may be taken to be Rs. 4,00,000, and those from provincial ferries Rs. 60,000, while Rs. 35,000 will be a very fair estimate of the expenditure on the management of both classes of ferries. The Public Works Department overestimated the cost of managing district ferries by about Rs. 1,35,000 last year. The receipts from tolls on roads, the Nuddea Rivers and canals, plus the revenues from the Strand Bank and Staging-bungalows Fund aggregate Rs. 8,46,000, and the expenditure is estimated at Rs. 8,64,255. There being urgent need of very extensive works on the Calcutta Canals, these figures are accepted. They include a contribution of Rs. 50,000 towards the roads of those districts in which the Road Cess Act is not in operation, and also apparently a double entry of the cost of the maintenance of and establishment on provincial ferries. The Lieutenant-Governor will not, however, on that account reduce the total, as the money can all be usefully spent on canal works.

Estimated balances of the Provincial Reserve Fund in 1877-78 and 1878-79.

10. Turning now to the general abstract of the Provincial Reserve Fund for the purpose of ascertaining the balances, it is observed that, under the column for the revised estimate of the current year as submitted by the Accountant-General, a sum of 24 lakhs of rupees was included on both sides of the account as the receipts and charges of the Provincial Public Works Cess Fund. The Government of India having decided that the receipts and charges of this cess should be shown under Provincial Services (assessed taxes), those figures have been excluded from the estimate as printed. The Accountant-General's estimate, however, omits to take into account the actual opening balance of 1877-78, which must be added to the

XXXIII—continued.

receipts of the year. It has been ascertained that the probable expenditure during the current year on account of "Public Works" on canals, &c., debited against the Reserve Budget, will not exceed Rs. 5,00,000, leaving about Rs. 2,50,000 as the probable expenditure under other heads. The receipts seem to be somewhat overestimated, and may be taken to be Rs. 15,50,000. (The ferry toll receipts made over to District Committees during the first-half of the year are excluded from both sides of the estimate. After the 1st October these go to swell the Government receipts.)

The figures as per regular estimate will therefore stand as follows:—

	Rs.
Actual opening balance, 1877-78	5,62,131
Receipts during the year	15,50,000
Total ...	21,12,131
Probable expenditure	7,50,000
Closing balance	13,62,131

11. In addition to the grants sanctioned at the boginning of the year, various sums were granted during the year for specific purposes, such as grants to District Road Committees and grants for relief works in distressed tracts of Pooree, &c., &c., aggregating about Rs. 2,00,000. These sums were in the first place to be debited to the grant made for Provincial and Local Public Works, and if these funds could not bear the charge, they were ultimately to be debited to the Provincial Reserve Fund. It is, however, understood that the ordinary Public Works grants are not likely to be expended, and that the savings therein will fully meet these additional grants. No account of them need therefore be taken in preparing the estimates of reserve balances for the year 1878-79. Again, certain advances have been made for railway surveys on projected lines. When the lines are sanctioned, as the Lieutenant-Governor hopes they may be, these advances will be charged to capital outlay, which is found by the Government of India. No account is therefore taken of such advances in the reserve estimates.

XXXIII—concluded. Assuming therefore the figures of the regular estimates, the estimate for 1878-79 will stand thus—

	Rs.
Estimated opening balance, 1878-79	13,62,131
„ receipts during „	17,39,821
Total ...	31,01,952
Estimated charges during 1878-79	12,32,545
„ closing balance	18,69,407

12. The actual closing balance of 1878-79 will not, however, in reality be anything like that sum. During the past year the Lieutenant-Governor has felt himself precluded from undertaking many important public works (the execution of which had been long determined upon), owing to the uncertainty in which the whole subject of Provincial finance was involved. For similar reasons the ordinary expenditure has been kept as low as it was possible to make it. Now that the obligations of the Local Government in the matter of famine expenditure have been ascertained, the Lieutenant-Governor will proceed to allot the accumulated funds to those works for which they were originally destined, and the want of which is being daily felt.

XXXIV. No. 1072, dated Fort William, the 20th February 1878.

RESOLUTION—By the Government of India, Financial Dept.

READ again the following Account Proceedings :—

November 1871, Nos. 40 to 50.
April 1873, No. 14.

By Resolution No. 4803, dated 10th November 1871, the Government of India authorized the incorporation in the Provincial Accounts of the transactions of various Local Funds at the disposal of the Local Governments.

2. By Resolution No. 2452, dated 17th April 1873, this procedure was reversed, and it was determined that the transactions of all local funds must be recorded in the estimates and accounts distinctly from Provincial transactions. The object of this latter Resolution was that, the Government might have the means of comparing the financial administration of the revenues and services surrendered

to Provincial management by the Resolution No. 3334, dated 14th December 1870, with their administration under the former system. **XXXIV—continued.**

3. The Policy introduced by the Resolution No. 3334, dated 14th December 1870, has long since passed the experimental stage, and successive developments make it now practically impossible to make any useful detailed comparison of the administration under the present system with that which it superseded.

4. There appears therefore no sufficient reason why the Government of India and the Local Governments should any longer suffer the inconvenience of a system by which the revenue and expenditure of the Local Governments are recorded in two separate categories.

Directing the incorporation in the estimates of Provincial Services of the transactions of those Local Funds which are at the free disposal of the Local Government, the transactions of other Local Funds being recorded under Local Funds.

5. In connection, therefore, with the recent general extension of the financial powers and responsibilities of Local Governments, it seems to the Government of India that it will be convenient henceforth to re-incorporate in the estimates and accounts of Provincial Revenue and Expenditure those resources now recorded under "Local Funds" which are at the free disposal of each Local Government for expenditure in any part of its jurisdiction without legal let or hindrance. When this is done, the Provincial estimates and accounts will contain an exhaustive record of the expenditure of all funds at the unfettered disposal of the Local Governments without territorial limitations other than those of their respective jurisdictions; while the estimates and accounts of the transactions of local funds will be confined to moneys which are not the property of the Government at all, or the appropriation of which is regulated by special laws and limited to territorial units within the Provincial jurisdiction, or to some specific objects.

Directing the incorporation in the general accounts, of loans raised locally.

6. Further, in order that the record of the funded and unfunded debt of the State may be complete and self-contained, the Governor-General in Council is pleased to decide that all loans raised locally under Provincial guarantees shall be recorded under a head of "Local Loans raised for material improvements," subordinate to the head of "Public Debt incurred," repayments of such loans being exhibited under the head of "Public Debt discharged." The interest upon such loans should be shown under the head of "Interest on funded and unfunded Debt" (Provincial Section).

XXXIV—concluded.

Directing the incorporation in the general accounts, of the revenue and expenditure of local railways.

7. In like manner, the revenue and expenditure (apart from interest on borrowed capital) of all local railways, such for example as the "Mathura and Hattrass Line," should henceforth be recorded in the Imperial estimates and accounts under the head of State Railways (Provincial Section).

8. The figures needful for carrying out these several orders upon the Regular Estimates of 1877-78, and the Budget Estimates of 1878-79, should be supplied at the earliest possible date. It is desirable, if possible, in effecting the incorporations here determined, to avoid the introduction of any new major heads of account. It is believed that all the revenue now to be incorporated will appear under one or other of the existing heads, and that the head of "Provincial Contributions" may be abolished, all contributions received from any of the local funds proper being also recorded under some existing revenue head.

Transfer of Provincial Reserve to service heads, and abolition of the head "Provincial Contributions."

9. In like manner, there will probably be no difficulty in distributing all the expenditure under the existing heads of expenditure. But each Accountant-General should give such full particulars as will enable the Government of India to decide any doubtful questions of classification which may arise.

Accountant-General to furnish a list of excluded Local Funds.

10. He should also add a list of the local funds of which the transactions will continue to be recorded outside the Provincial Accounts, with the reason for the exclusion of each fund.

XXXV.

No. 977C, dated Calcutta, the 27th February 1878.

From—D. Barbour, Esq., Offg. Accountant General, Bengal,
To—The Secy. to the Government of Bengal, Financial Dept.

Submitting revised estimates for 1877-78 and 1878-79, consequent on the transfer of Provincial Reserve to service heads.

I have the honor to forward herewith a statement showing the additions to be introduced into the regular estimate of 1877-78 and the budget estimate of 1878-79, consequent on the transfer of the Provincial Reserve Fund to service heads, under the sanction conveyed in the resolution of the Government of India, Financial Department, No. 1072, dated 20th instant, authorizing the re-incorporation in the estimates and accounts of provincial revenue and expenditure of those resources now recorded under local funds which are at the free disposal of the local Government for expenditure in any part of its jurisdiction without legal let or hindrance.

XXXV—continued.

Statement of additions to be made on the Regular Estimate of 1877-78 *and the Budget Estimate of* 1878-79, *on account of the transfer of Provincial Reserve to Service Heads.*

Statement of additions to the estimates for 1877-78 and 1878-79, necessitated by the said transfer.

	Regular estimate, 1877-78		Budget estimate, 1878 79.	
	Rs.	Rs.	Rs.	Rs.
RECEIPTS				
XX —*Miscellaneous*				
Pound fees and fines	3,00,000		3,00,000	
Pleadership examination fees	12 000		6,000	
Steam-boiler fees	11,000		12,000	
Circuit house rents	7,000		7,000	
Ferry tolls ...	2,64,000		4,61,000	
Road do	12,000		10,000	
Total Miscellaneous .	... ..	6,06,000	...	7,96,000
Canals.				
Calcutta and Eastern Canals tolls	5 00 000		5,00,000	
Nuddea Rivers tolls	27,50,000		2,80,000	
Total Canals	..	7,75,000	.. ...	7,80,000
Public Works				
Strand bank rents ...	42,000		45,000	
Staging-bungalow fees	12,000		11,000	
Total Public Works	..	54 000	.....	56,000
Total Receipts ..	.. ..	14,35,000		16,32,000
EXPENDITURE				
GRANT 3—REFUNDS AND DRAWBACKS				
Miscellaneous Refunds				
Police clothing	30,000		25,300	
Pounds	800		900	
Fines	3,200		7,800	
Total Refunds .	..	33,000	... ..	34,000
GRANT 15—MINOR ESTABLISHMENTS				
Pound establishment and contingencies	1,80,000		1,41,000	
Steam-boiler ditto	10,000		12,000	
Pleadership examination contingencies	4,500		4,000	
Circuit houses establishment and contingencies	3,500		4,000	
Ferries	10 000		24,000	
Total Minor Department .	..	1,58,000	... ..	1,85,000
GRANT 22—STATIONERY AND PRINTING				
Printing at Private Presses				
Pounds	750		1,000	
Ferries	250		500	
Total Staff and Printing	.. ...	1,000	.....	1,500

XXXV—concluded.

	Regular estimate, 1877-78.		Budget estimate, 1878-79.	
EXPENDITURE—*continued.*	Rs.	Rs.	Rs.	Rs.
GRANT 26—SUPERANNUATIONS.				
Pension of Mr. Galiffe	5 000		5,000	
Total Superannuations ...	.....	5,000	... ..	5,000
GRANT 28 MISCELLANEOUS.				
Municipal rates and taxation, Government buildings.				
Circuit-houses	1,800		1,800	
Pounds	200		200	
Total Miscellaneous ...	.....	2,000	.. ...	2,000
Canals.				
Calcutta and Eastern Canals establishment and public works	3,95,000		6,58,000	
Nuddea Rivers ditto ditto.	1,00,000		1,15,000	
Total Canals ...	.....	4,95,000	.....	7,73,000
Public Works.				
Maintenance of Strand Bank road and Eden Garden.	40,000		50,000	
Staging-bungalows establishment and public works	15,000		40,438	
Road tolls, public works	500		562	
Contributions to District Road Committees.	.....		50,000	
Total Public Works .	... ..	56,000	.....	1,41,000
Total Expenditure ...	.....	7,50,000	.....	11,41,500

XXXVI.

No. 2098, dated Fort William, the 29th March 1878.

RESOLUTION—By the Government of India, Finl. Dept.

READ again the following Resolutions—

No. 1072, dated 20th February 1878, and No. 1811, dated 18th May 1878, being the Financial Statement for 1878-79.

Read also—

The Estimates of Local Funds for the year 1878-79.

By the Resolution No. 1072, dated 20th February last, now read again, the Government of India determined to incorporate in the general accounts the principal transactions heretofore recorded as in the separate category of local funds.

XXXVI—continued.

2. In carrying out this decision upon the estimates of 1878-79, the Government has left outside the general accounts only the following funds, viz. Cantonment, Municipal, Port, Station or Town Funds; Educational, Dispensary, Hospital, and all other Trust or Endowment Funds; Police Remount Funds; and the few funds specified in the schedule annexed to this Resolution. In future, no transactions which are recorded in the public books, excepting those connected with these funds, should be excluded from the general accounts and estimates, and recorded under the head of local funds. No new funds should be created without a clear necessity; but in case any new fund is constituted, which does not belong to one of the excluded classes just recited, the specific orders of the Government of India should be obtained as to whether it is to be kept outside the general accounts, or incorporated therein. Care must be taken not to employ the device of personal ledger accounts, so as to defeat the general policy now adopted, which is, that nothing shall be left outside the general accounts which can with propriety be brought within them: each Accountant-General and Deputy Accountant-General in independent charge should submit through the local Government to the Government of India an annual report upon the personal ledger accounts upon his books.

Enumeration of the funds left outside the general accounts.

No new funds to be created without a clear necessity.

Nothing to be left outside the general accounts which can properly be brought within them.

The Account Department to submit through the local Government an annual report upon the personal ledger accounts upon his books.

3. All the revenues of all the funds now incorporated will be recorded under the new major head, *VI, Provincial Rates*, the revenue of each fund as now existing being classed under a separate sub-head. Similarly, all the costs of collecting the several revenues recorded under *VI, Provincial Rates*, will be recorded under corresponding sub-heads, under the new expenditure head, 8, *Provincial Rates*. The rest of the expenditure now freshly incorporated in the general accounts will be distributed according to its character under the several service heads. The several Accountants-General and Deputy Accountants-General in independent charge should, as soon as possible, submit to the Comptroller-General only—*not to the Government of India*—revised estimates of General Revenue and Expenditure

Opening of new major heads, VI, "Provincial Rates" and 8, "Provincial Rates" for the record respectively of the revenues of the Provincial Reserve and of the cost of collecting those revenues, the rest of the expenditure under Provincial Reserve being distributed according to its character under the several service heads.

XXXVI—concluded. in 1878-79, incorporating the transactions of all funds not excluded by this Resolution, and also revised local fund estimates for 1878-79 of the excluded funds only, making no change in the figures already sent for these funds. And further, a return should be made of the revenue and expenditure brought to account, month by month, during the three years 1875-76, 1876-77, and 1877-78, major head by major head, according to the classification of the estimates of 1878-79, including all the incorporated items.

4. In order that the enforcement of the eighth provincial rule may not be hindered by these new arrangements, it will be necessary that each local Government, in preparing the accounts and estimates prescribed by the eleventh rule, should state clearly how much of its opening and closing balances is at its unfettered disposal. The same particulars should be certified by the Accountant-General. The opening balance of the coming year 1878-79 should be thus classified as soon as possible.

The local funds incorporated to continue to be governed by the laws and orders applicable thereto.

5. It is to be clearly understood that in thus incorporating the local fund transactions in the general accounts, the Government of India does not intend to make any change whatever in regard to the appropriation of the funds, which will be governed, as now, by the laws and orders from time to time applicable thereto.

SCHEDULE.

India.—Persian Famine Relief.

Bengal.—Pooree Pilgrim Fund.

Bombay.—Barea Tribute, Esplanade Fee, Cotton Improvement, Indus Conservancy and Registration.

XXXVII.

Dated Calcutta, the 30th March 1878.

RESOLUTION—By the Govt. of Bengal, Financial Dept.

READ—

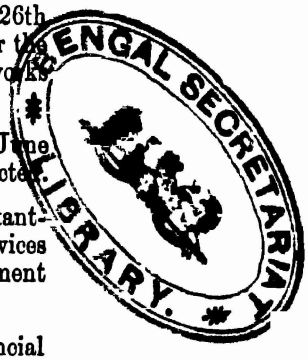
(1) Memorandum No. 1846C, dated the 10th November 1877, from the Accountant General, submitting an abstract of receipts and charges under Provincial Services and Local Funds for the years 1875-76 and 1876-77.

XXXVII—continued.

(2) Letter from the Government of India, No. 1899, dated the 27th March 1877, surrendering certain additional revenues and services to the use, management, and responsibility of the Government of Bengal, and calling for revised estimates for the year 1877-78 with reference to these orders.

(3) Letter from the Government of India, No. 1801, dated 26th March 1877, enforcing provincial responsibility for the financial results of State Railways and Irrigation works in the province.

(4) Resolution of this Government, No. 1705, dated the 6th June 1877, submitting revised estimates for 1877-78 as directed.



(5) Estimates for 1878-79 submitted by the Accountant-General for the various major heads of Provincial Services and the Provincial Reserve Fund and the Government Resolutions on those estimates.

(6) Resolution by the Government of India, in the Financial Department, No. 1072, dated 20th February 1878, directing local Governments to re-incorporate in the estimates and accounts of Provincial Revenue and Expenditure those resources now recorded under Local Funds which are at the free disposal of each local Government in any part of its jurisdiction.

(7) Memorandum from the Accountant-General, No. 977C, dated 27th February 1878, showing the changes necessary in the estimates of Provincial Services for 1878-79, in consequence of the re-incorporation of Provincial Reserve with the ordinary service heads.

(8) Resolution of this Government, No. 890, dated 6th March 1878, regarding grants for railway surveys.

(9) Resolution by the Government of India, in the Financial Department, No. 1911, dated 18th March 1878, with the appended statements published in the *Gazette of India* Extraordinary of that date.

(10) Resolution of this Government of the 23rd instant, reviewing the estimates of Local and Trust Funds for 1878-79.

(11) Statement of Provincial Revenues and Expenditure appended to this Resolution.

The Lieutenant-Governor has already in separate Resolutions passed orders upon the estimates under the various heads of Provincial Services for 1878-79, and upon the estimates of those funds which have hitherto constituted

XXXVII—continued. the Provincial Reserve. After these orders were issued, the Government of India acceded to the proposal of this Government to amalgamate with the ordinary service heads all the receipts and charges of those funds the surplus balances of which are entirely at the disposal of the Provincial Government for provincial purposes. Under this arrangement the Provincial Reserve Fund, as a separate fund, must cease to exist; and this alone would render it necessary to revise the estimates of Provincial Services, so as to exhibit the effect of the amalgamation, which takes effect from the 1st April 1878. Besides this, however, the Government of India has by its Financial Resolution No. 1911, dated the 18th instant, and the appended papers, made certain further important modifications in the form and matter of the Imperial estimates which it is incumbent upon the Provincial Government to follow.

The Provincial Reserve Fund amalgamated with Provincial Services from 1st April 1878.

Recapitulation of classes of Estimates and Accounts hitherto dealt with by the Provincial Government, namely:—

1st—Estimates and Accounts of Imperial Services.

2ndly—Estimates and Accounts of Provincial Services.

3rdly—Estimates and Accounts of funds constituting the Provincial Reserve.

4thly—Estimates and Accounts of Local Funds properly so called.

2. In order to explain the effect of the changes referred to in the foregoing paragraph, it may be convenient to recapitulate briefly the various classes of estimates and accounts with which the Provincial Government has hitherto had to deal. There are, *first*, the estimates and accounts of *Imperial Services*, that is to say, of those branches of revenue and expenditure which have not been made over to provincial control and management. In its relation to these services, the local Government is in the same position now that it held before the introduction of the Provincial Services scheme in 1871-72. *Secondly*, there are the estimates and accounts of *Provincial Services*, or of those branches of revenue and expenditure, originally Imperial, made over to the management of the local Government under the present system of provincial contracts. *Thirdly*, there are the estimates and accounts of the funds constituting the *Provincial Reserve*, that is, of those local funds, the balances of which are at the disposal of the local Government for provincial purposes. *Fourthly*, there are the estimates and accounts of those *Local Funds* (properly so called) which are by law or by their constitution devoted to particular local and limited objects. The amount of control which may be exercised over these by Government varies considerably, and may be said to be at a minimum in the case of the District Road Fund, and at a maximum in the case of the Port Funds. Both these strictly local funds, and those hitherto included under the Provincial Reserve,

may be divided with reference to their origin into two classes, thus— **XXXVII—continued.**

(I)—Funds supported by compulsory rating, or by payments under sanction of law or orders having the force of law.

(II)—Funds made up of payments which are of the nature of rents, tolls, or fees, for services or facilities rendered or privileges conferred.

Lastly, there are the accounts and estimates of *Municipal Funds*. These, though strictly speaking local funds, are not dealt with in the Local Funds Budget of this Government, under which only the funds of the *fourth* class are treated together. 5thly—Estimates and Accounts of Municipal Funds.

3. By its Resolution No. 1886, dated the 28th March 1877, the Government of India directed that the transactions of the local Government, under the heading of 'Provincial Services,' should be re-incorporated in the general estimates and accounts. The effect of this order was to amalgamate, for the purposes of the Imperial budget, the *first* and *second* classes of accounts and estimates described in the preceding paragraph. The later Resolution No. 1072 of the 20th February 1878 re-incorporated with the estimates and accounts of Provincial Services "those resources recorded under 'local funds' which were at the free disposal of the local Government for expenditure in any part of its jurisdiction without legal let or hindrance." The effect of this was to incorporate with the estimates of Provincial Services, and therefore with the Imperial estimates, the transactions of the funds treated in Bengal as Provincial Reserve (*i.e.* the *third* class above described). The selection of local funds for incorporation in the Imperial estimates published with the financial statement for 1878-79 not altogether in accordance with the principles which the Government India itself laid down.

In the same Resolution of the 20th February, it was stated that the estimates and accounts of the transactions of *local funds* would thereafter be "confined to moneys which are not the property of the Government at all, or the appropriation of which is regulated by special laws and limited to territorial units within the provincial jurisdiction or to some specific objects." The intention of these remarks was understood by this Government to be to leave under the head of local funds all the funds hitherto treated as such in the Bengal Local Funds Budget; the last clause in the definition of the excluded local funds seeming clearly to cover all the funds so treated by this Government. In the statements appended to the Resolution No. 1911 of the 18th

XXXVII—continued. March, the estimates of the majority of these funds have, however, also, as a matter of fact, been incorporated in the Imperial estimates, though it is still declared that "the receipts and disbursements of those local funds which are appropriated to specially-defined purposes, or are *quasi*-private property and are not at any stage *under the direct control of the local Governments* and *do not affect whole provinces*, will still be excluded from the general estimates and accounts, and shown in subsidiary statements." It is added that, "excepting the port funds, their amount will be unimportant."

4. This Government had no opportunity of expressing its views as to the manner and extent to which the various 'local funds' fall within the category of funds suitable for incorporation in the general accounts, and for this year the distribution directed by the Government of India must be accepted as it stands. But the Lieutenant-Governor is disposed to think that the Government of India may, on further examination of the accounts, be convinced that the selection of funds for incorporation has not been altogether in accordance with the principles which it has itself laid down.

Enumeration of the local funds which have been incorporated by India in the general estimates.

The local funds which have been incorporated in the general estimates are these—

(1.) District Road Fund.
(2.) District Road Account.
(3.) Zemindari Dâk Fund.
(4.) Fund for the Management of Wards' Estates.
(5.) Government Estates' Improvement Fund.
(6.) Inland Labour Transport Fund.
(7.) Zoological Garden Fund.
(8.) Salt Reward Fund.
(9.) Encamping Ground Grazing Fund.

The funds shown by India as local.

The funds which still remain 'local' are—

(10.) The Cantonment Fund.
(11.) Pooree Pilgrim Fund.
(12.) Jugernath Road Fund.
(13.) Town Improvement Fund.
(14.) The various minor Port Funds.
(15.) Hospital Port Dues Fund.

Municipal Funds not shown anywhere

Municipal Funds, which, however, represent a very considerable item of taxation, do not anywhere appear in the accounts.

5. The District Road Committee no doubt act in that capacity as a branch of the Government, and not in any way

as a private body, and as these Committees are appointed by Government, the funds may be said perhaps to be under the direct control of Government, but Government has no power to spend these funds except through the Local Committees and in the districts in which the money is raised; but much the same may be said of municipalities, and if it be intended to bring into the estimates all the moneys raised for public purposes within the province, there would seem to be as good reason for incorporating the Municipal Funds as the District Road Fund. Government has almost identical powers in respect of either. The District Road Fund has no operation within municipalities, but together they represent the aggregate of district taxation for strictly local purposes. **XXXVII—continued.**

6. Further, the Lieutenant-Governor observes that all the receipts of the incorporated local funds, together with those hitherto classed as Provincial Reserve (and enumerated on the margin), are shown along with the Provincial Public Works Cess under the heading of "Provincial Rates." He fears that this nomenclature may be likely to mislead. The great majority of the funds thus classified are in no sense 'rates' or 'taxes,' and an erroneous impression may be caused as to the incidence of taxation in Bengal by their being so entered. The Lieutenant-Governor can quite understand that it is considered desirable to show in the annual estimates and returns the gross amount of taxation of all kinds—Local Provincial, and Imperial—in British India. In that case the heading of provincial rates ought properly to comprise everything in the shape of a rate or tax (other than assessed taxes, which are separately shown), and including of course municipal taxation. The other funds (including Port Funds and all funds not absolutely Trust Funds) might then be classed under a separate heading as 'Local Funds,' or treated as miscellaneous receipts; they being all moneys paid into the public treasuries for public purposes, though these purposes may be more or less local or specific.

Pound Fees
Pleadership Examination Fees.
Circuit-house Rents.
Steam-boiler Inspection Fees.
Ferry Tolls.
Road Tolls.
Canal Tolls.
River Tolls
Strand Bank Rents.
Staging-bungalow Receipts.

Enumeration of funds hitherto classed by the Bengal Government as Provincial Reserve

Suggesting the inexpediency of including Incorporated Local Funds, Provincial Reserve, and Provincial Public Works Cess under the heading of "Provincial Rates."

7. While venturing to make these suggestions for the future consideration of the Government of India, the Lieutenant-Governor has, in the revised estimate attached

XXXVII— continued. to this Resolution, followed the classification adopted by the Government of India; but in a foot-note the balances at the disposal of the Local Government for provincial purposes are distinguished from the balances belonging to Local Funds, whether incorporated or not. It is of course understood that in virtue of their incorporation in the public accounts no change of practice is intended in respect of the management or control of any of the funds hitherto treated as local. The District Road Fund, for instance, will continue under the management of the District Road Committee in accordance with law. The zemindari Dâk Cess will be devoted to its present uses, and be subject to increase or decrease solely on consideration of the requirements of that special fund, and without any reference to the exigencies of the Provincial or Imperial Governments. So in the case of all the other funds; the fund accounts will be maintained as hitherto, and the estimates of each will be separately dealt with on existing principles before the figures are incorporated in the general estimates and accounts. The Lieutenant-Governor has, in fact, already passed orders upon the Local Funds Budget Estimate as in former years, dealing with each Local Fund separately in the usual way.

8. In considering therefore the revised estimates appended to this Resolution, it is necessary to remember that the inclusion of the local funds in the accounts does not in any way affect the financial position of the Local Government; and in order to the due understanding of the *provincial* finances as they now are, it will be convenient here to view very briefly the history of the provincial balances (strictly so called) since the first introduction of the Provincial Services scheme in April 1871.

History of the Provincial balances from the 1st April 1871 to the 1st April 1878.

9. The financial year 1871-72 opened with a credit balance of Rs. 5,32,870 under Provincial Services, being a special assignment made by the Imperial Government from the savings of 1870-71 in addition to the fixed annual allotment of Rs. 1,23,09,990. The opening balance of those Local Funds which were constituted into the provincial reserve aggregated on the 1st April 1871 Rs. 15,12,387. The Local Government therefore commenced its independent financial career with a balance in hand of Rs. 20,45,257, apart altogether from the balances of strictly Local, Municipal, and Trust Funds.

XXXVII—continued.

10. The strict economies of Sir George Campbell effected in the year 1871-72 savings aggregating about seventeen lakhs of rupees under the Provincial Service heads, and the year 1872-73 opened with a balance under those heads of Rs. 22,23,126, while the balance under Provincial Reserve had risen to Rs. 16,12,440, making a grand provincial balance of Rs. 38,35,566. For the year 1872-73 very liberal grants were made under Education, Medical, Public Works, and other headings; but the closing balance under 'Services' rose to Rs. 35,58,298. This result is, however, partly to be explained by a special grant from the Supreme Government of Rs. 9,66,677 on account of the Sudder Court buildings, capitalization of Calcutta rents, and Burdwan fever relief. The greater part of this special grant was meant to be reserved for the erection of public offices for the Bengal Government. Under Reserve the balance fell to Rs. 9,80,683, making the aggregate provincial balance at the opening of 1873-74 Rs. 45,38,981. In 1873-74 the Local Government was called upon to face the enormous expenditure on relief works caused by the famine in Bengal and Behar, and the year closed with a deficit of Rs. 19,037 under 'Services,' while the balance under Reserve had fallen to Rs. 5,14,704. The net provincial balance at the opening of 1874-75 was thus only Rs. 4,95,667. During 1874-75 the expenditure upon relief works continued to be heavy, but a special grant of Rs. 76,38,139 was received from the Supreme Government, and the year closed with a credit balance of Rs 23,61,583 under Services, and of Rs. 8,28,465 under Reserve, the aggregate being Rs. 31,90,048. In the year 1875-76 the final adjustment of the famine account between the Supreme and local Governments took place. It was estimated that if all charges on account of famine had been excluded from the accounts, the closing balance under 'Services' in 1873-74 would have been Rs. 19,21,069, in 1874-75 Rs. 13,87,787, and in 1875-76 Rs. 12,97,981. The balance under Provincial Reserve at the end of 1875-76 being Rs. 7,21,464, that year would, famine apart, have left the local Government with about 20 lakhs of rupees in hand. The demand of the Imperial Government on account of that portion of the relief works chargeable to the Provincial Public Works Budget being far in excess of this sum, it was arranged that the Bengal Government should surrender to the Imperial Government about 15 lakhs of its estimated credit balance;

XXXVII—continued.

that all outstanding famine charges beyond that amount should be debited to the Imperial Government; and that the accounts should be so adjusted as to leave to the Government of Bengal an opening balance of Rs. 5,00,000 on the 1st of April 1876.

A falling off in the service balances in the years following 1873-74, even apart from famine.

11. It will be seen from the above that, even apart from famine, the service balances were estimated to show an annual falling off in the years following 1873-74, until, in the budget of 1876-77, after excluding famine charges, they would have been estimated at only Rs. 10,70,926. The explanation of this diminution of the balances is to be found entirely in the accounts of expenditure, for the ordinary receipts remained fairly constant throughout this period, and in some instances showed an increase. The following are the principal figures of ordinary expenditure which account for the result:—

Increase in the ordinary expenditure, a cause of this falling off.

Chief heads showing increase.	1871-72.	1872-73.	1873-74.	1874-75.	1875-76.
	Rs.	Rs.	Rs.	Rs.	Rs.
Jails	14,84,000	16,82,000	19,23,000	17,01,000	16,90,000
Education	19,58,000	20,31,000	24,65,000	25,11,000	25,53,000
Medical	9,00,000	11,36,000	13,78,000	13,14,000	13,50,000
Public Works	27,42,000	36,07,000	47,30,000	30,59,000	27,37,000

The figures for 1871-72, 1872-73, and 1873-74 include Assam.

With 1876-77 provincial finances took a fresh start, opening with a balance of Rs. 5,00,000 granted by the Supreme Government.

12. With the year 1876-77 the provincial finances took a fresh start. The whole opening balance of Rs. 5,00,000 granted by the Supreme Government was credited under Provincial Services, the Reserve Fund opening with nothing to its credit. The accounts now submitted show that the year closed with an actual credit balance of Rs. 8,49,395, divided as follows:—

	Rs.
Under Provincial Services	2,87,265
,, ,, Reserve	5,62,130
Total ...	8,49,395

13. The opening balance of Provincial Services had thus decreased by Rs. 2,12,735, and it would in fact have been entirely absorbed but for extraordinary receipts under Public Works on account of sales of plant and tools for Madras famine relief, and an increase under the receipts from registration fees. The Provincial Reserve Fund, however, closed with a balance of Rs. 5,62,130, making the aggregate balance at the disposal of the local Government on 1st April 1877 Rs. 8,49,395 as shown above, or Rs. 3,49,395 better than at the beginning of 1876-77. **XXXVII—continued.**

14. The first estimate of receipts and charges of Provincial Services and Provincial Reserve for 1877-78 was made in February 1877, before the actual opening balances were known, and before the receipt of the orders of the Government of India transferring to provincial control certain additional revenues and charges. As those orders materially changed the position of the provincial finances, this first estimate may be set aside for the purposes of this resolution. The revenues surrendered and the grants for expenditure entrusted to provincial management and responsibility, by the orders of the Supreme Government in March 1877, were as follow for 1877-78 :— **Effect of the contract of March 1877 on the Provincial finances.**

Revenues.	1877-78. Rs.	Grants.	1877-78. Rs.
Excise	64,00,000	Refunds	4,91,000
Customs	36,000	Land Revenue	22,62,000
Salt (minor items)	2,20,000	Excise	2,92,000
Stamps .	1,05,75,000	Customs	6,93,000
Law and Justice .		Salt	39,0 0
Marine	10,84,000	Stamps	2,38,000
Miscellaneous	7,92,000	Law and Justice	63,97,000
		Administration	12.61,000
		Minor Departments ...	1,68,000
		Marine	10,92,000
		Stationery	4,98,000
		Police	7,000
		Miscellaneous	25,000
		Bishop's Palace, &c.—Petty construction and repairs...	7,000
	1,91,07,000		1,34,70,000

15. That is to say, the various departmental receipts for 1877-78 were transferred to the Government of Bengal for a fixed contribution of Rs. 1,91,07,000, and the charges were transferred with a fixed total assignment of **How the Imperial grant for 1877-78 was fixed at Rs. 48,32,000 net.**

XXXVII—continued. Rs. 1,34,70,000. Amalgamating the previous Imperial assignment with these figures, the result is as follows:—

	Rs.
Amount of previous Imperial assignment for 1877-78	... 1,10,59,000
Grants assigned for 1877-78 ...	... 1,34,70,000
Total	... 2,45,29,000
Amount of contribution to be paid by the Bengal to the Supreme Government in 1877-78 for revenues surrendered	... 1,91,07,000
Amount of Imperial grant	... 54,22,000

Under these arrangements the Imperial grant would strictly have been Rs. 54,22,000, but the Government of India deducted Rs 5,90,000 from the previous Imperial allotment of Rs. 1,10,59,000 as a lump retrenchment or contribution from Provincial to Imperial resources, and the net Imperial grant for 1877-78 was fixed at Rs. 48,32,000.

Provincial responsibility for financial results of railways and irrigation works.

16. The Government of India further resolved to enforce provincial responsibility for the financial results of railways and irrigation works, and the sum to be paid by the local Government into the Imperial Exchequer on this account was at first fixed at Rs. 27,47,000 for 1877-78; but this was subsequently reduced to Rs. 20,00,000 in consideration of the fact that this Government would only be able to collect during 1877-78 a portion of the annual demand of Public Works Cess imposed under Act II (B.C.) of 1877 to meet these extraordinary charges.

17. A second or revised estimate for 1877-78 was submitted to the Government of India with this office Resolution No. 1705, dated the 6th June 1877, in which, however, no provision was made for the contribution to be paid on account of extraordinary Public Works, and no credit was taken for receipts from the Provincial Public Works Cess. In this estimate it was assumed that, under the ordinary Provincial Services as now constituted, there would be a closing credit balance at the end of 1877-78 of Rs. 11,199; but this result was only brought about by taking credit on the receipt side for a sum of Rs. 5, 90,000 in excess of the original estimates of stamp receipts, on account of operations under the Land Registration Act, No. VII (B.C.) of 1876. Had it not been for this, the estimate would have closed with a debit balance of Rs. 5,53,141.

XXXVII—continued.

18. The year 1877-78 has, however, been prosperous beyond the most sanguine anticipations. The excise revenue has risen all over the country. The receipts from stamps have been very considerable, owing to the land registration operations and to the general briskness of trade arising from the Madras famine. The registration receipts and marine receipts have also grown. On the other hand the Lieutenant-Governor, feeling that the prospects of the year were at the outset doubtful, reduced all expenditure as much as possible, postponing many necessary and important works until he was in a position to know that he could proceed with them safely.

REGULAR ESTIMATE, 1877-78.

Regular estimate, 1877-78.

19. A revised or regular estimate of all receipts and charges for 1877-78, based on actuals for eight, and in some cases for ten months, is given in column 3 of the appendix. In this revised estimate a new major head has been opened on the receipt side for "PROVINCIAL RATES," under which have been entered the estimated receipts from the Provincial Public Works Cess, together with the balances on the 31st March 1878 of the Provincial Reserve Funds, and the balances of those Local Funds which the Government of India has, as above explained, resolved to incorporate in the Public Accounts, the whole aggregating Rs. 53,88,000. It is estimated that the receipts from the Provincial Public Works Cess during 1877-78 will not be more than Rs. 18,50,000. The balance to credit of Provincial Reserve (abolished) is expected to be Rs. 13,62,000; and the balance of local funds incorporated is taken at Rs. 21,76,000. This last sum, however, it will be remembered, is not in fact at the disposal of the local Government for provincial purposes.

RECEIPTS.

Provincial Rates, a new major head, made up of the Public Works Cess (Rs. 18,50,000) and balances at credit of Provincial Reserve Fund (Rs. 13,62,000) and Incorporated Local Funds) (Rs. 21,76,000—total Rs. 53,88,000.

20. Under the head of "SALT" the old balance of the Salt Reward Fund (Rs. 59,000) is credited, the Lieutenant-Governor having determined that this need no longer be maintained as a separate fund, but may form a sub-head under the major head of "SALT."

"Salt Reward Fund" made a sub-head under "Salt."

21. Two new headings have been opened, "CANALS" and "STATE RAILWAYS" to show the gross receipts from those works, for the maintenance and interest charges of which the local Government has become responsible.

Two new headings opened, "Canals" and "State Railways."

XXXVII—continued.

EXPENDITURE.

A new head opened, "Interest on Debt."

22. On the EXPENDITURE side of the statement under "INTEREST ON DEBT" is shown Rs. 20,00,000, the sum of which the Government of India has agreed to accept from this Government for 1877-78 on account of interest on the capital expenditure for Canals and State Railways after crediting net traffic receipts. The sum payable under the Government of India's orders No. 1801 of 26th March 1877, was about 27½ lakhs of rupees. In consideration, however, of the fact that the Public Works Cess only came into force in June last, the Government of India, as already explained, reduced the demand for 1877-78 to 20 lakhs. The collections of the cess during 1877-78 are expected to be only 18½ lakhs, but the difference between this sum and the demand of the Supreme Government can be met from the general Provincial balance, which will recoup itself in the following year.

"Provincial Rates"

23. The only charge entered under "PROVINCIAL RATES" is one of Rs. 10,000 for the cost of collecting the Public Works Cess.

"Canals" and "State Railways."

24. Under "CANALS" and "STATE RAILWAYS," the expenses of maintenance of these works is shown in gross.

25. Throughout these revised estimates for 1877-78, the Lieutenant-Governor has accepted the figures adopted by the Financial Department of the Government of India for the purposes of the Imperial estimates, in preference to the figures originally furnished by the Accountant-General for the Provincial estimates, as the Government of India had in several instances actual figures for ten months before it, instead of for six or eight months, which were all that were available when the local Government prepared its estimates.

Closing balance of 1877-78 estimated at Rs. 50,30,000, excluding Local Fund balances.

26. Including the transferred balance of Provincial Reserve (Rs. 13,62,000), but excluding Local Fund balances, the year 1877-78 is estimated to close with a credit balance at the disposal of the local Government amounting to Rs. 28,54,000; and as the balances of the Local Funds amount to Rs. 21,76,000, the gross balance, including incorporated local funds, is estimated to be Rs. 50,30,000.

ESTIMATES, 1878-79.

Estimates, 1878-79.

RECEIPTS.

27. It is now necessary to examine and explain the estimate for 1878-79. Each of the ordinary service heads has been dealt with by the Lieutenant-Governor in a separate resolution, and it is only intended here to recapitulate such

of the main facts as throw light upon the estimate as a whole. The figures accepted in the separate resolutions of this Government are those entered in the statement hereto appended, any slight modification made for Imperial purposes in the Financial Department of the Supreme Government being under instructions from that Department disregarded. **XXXVII—continued.**

28. The receipts under LAND REVENUE are estimated at Rs. 86,000, against Rs. 87,000, the revised estimate for the current year. They show a considerable increase over the receipts of 1876-77 in consequence of the operations under the Land Registration Act. "Land Revenue" shows considerable improvement.

29. The receipts from EXCISE are estimated at Rs. 69,00,000, against Rs. 68,60,000, the revised estimate for 1877-78. If the year 1878-79 is fairly prosperous, there is no reason to doubt that this figure will easily be reached. It may very possibly be exceeded. The local Government and the Board of Revenue are at present devoting much attention to the improvement of the excise system in these provinces. There is strong reason to believe that there has been a large consumption of illicit liquor in some districts, and that the revenue has been systematically defrauded, and in some instances locally mismanaged. It is the object of Government to enhance the revenue in a legitimate way by substituting licit for illicit consumption, while by raising the duties on drugs it discourages the growing use of those deleterious articles that have a tendency to take the place of the more wholesome weak spirit of the country wherever the procuring of this is made exceptionally difficult. "Excise"

30. The receipts under the License Tax Act shown under ASSESSED TAXES the Government has no present means of estimating accurately. The estimate adopted is in the main a conjectural one, though based to some extent upon the recorded results of the License Tax of 1867 and the Certificate Tax of 1868. It is assumed that the receipts under the Act may amount to Rs. 23,50,000, and a similar sum, less Rs. 2,35,000 on account of cost of collection, is shown as expenditure on FAMINE INSURANCE on the other side of the estimate. The figures of the License Tax do not affect in any way the ultimate provincial balances. "Assessed taxes."

31. Under PROVINCIAL RATES is entered a sum of Rs. 34,50,000, the estimated receipts from the Public Works Cess in 1878-79; Rs. 16,32,000, receipts from funds formerly classified as reserve; and Rs. 36,84,000, the income of the "Provincial rates."

XXXVII—continued. incorporated "Local Funds," the whole together aggregating Rs. 87,66,000.

"Customs" 32. The receipts and charges under CUSTOMS, so far as these are provincial, call for no special remark. The local Government receives certain small items of revenue and a further grant to enable it to meet the charges of the establishments of the various custom houses in the province.

"Salt" 33. The provincial receipts from SALT consist only of warehouse rents and a few minor items of fees and fines made over by the Government of India in March 1877. The Lieutenant-Governor has now, as already stated, added to these the receipts of the *Salt Reward Fund* which were hitherto entered in the Local Funds Budget. These will amount to Rs. 8,300 in 1878-79.

"Stamps" 34. The receipts under STAMPS have been estimated at Rs. 1,01,50,000, against Rs. 1,07,50,000, the revised estimate for 1877-78. Under this head, taken together with LAW AND JUSTICE, the Imperial Government expects a normal growth of revenue of two and three-quarter lakhs per annum for the next four years. The receipts of the current year have from exceptional causes been largely in excess of the amount which this Government was bound to make good to the Government of India in 1877-78, viz., Rs. 98,50,000. But it is the opinion of the Board of Revenue and of the local officers that the receipts of 1878-79 under Stamps are not likely to exceed Rs. 97,34,000, while the sum this Government has to make good to the Government of India is Rs 1,01,00,000. The Lieutenant-Governor was disposed to think that the local estimates might safely be somewhat raised, and in consideration of the general prosperity of the country and the promising state of the winter crops, and in the expectation that the Stamp Bill at present before the legislature would shortly become law, he raised the estimate to Rs. 1,01,50,000. It is now, however, certain that the Stamp Bill will not pass into law before next cold season, and it is therefore doubtful how far the anticipations of this Government may be realized. The demand of the Supreme Government for two and three-quarter lakhs of rupees annual increment in the receipts under 'Stamps' and 'Law and Justice' is likely to prove a serious charge upon the general resources of the local Government for the next few years. The share of the increment expected from 'Law and Justice' was Rs. 25,000.

India's demand for an annual increment of 2¾ lakhs of rupees in the receipts under Stamps, and ¼ lakh under "Law and Justice," may prove a serious charge upon Provincial resources.

It has not been found possible to estimate for this in 1878-79, and the receipts are only taken to be Rs 8,000 better than those of 1877-78.

Receipts and Charges of "Jails" and "Registration" fall under "Law and Justice"

35. Under the orders of the Government of India for amalgamating the Provincial with the Imperial financial accounts, the receipts and charges of '*Jails*' and "*Registration*" fall now under LAW AND JUSTICE For convenience of comparison, however, they may here be separately referred to.

"Jails."

36. Under *Jails* the receipts have been estimated at Rs. 7,34,000, against the revised estimate for 1877-78 of Rs. 8,30,000, and the expenditure has been estimated at Rs. 15,55,000, against Rs. 16,28,000. Both the Accountant-General and the Inspector-General of Jails, in estimating the receipts and charges under this head in preceding years, took into account the paper transactions of the Department—on the receipt side the value of clothing and other jail supplies, and on the debit side the charges under various heads on account of supplies not purchased in the local market, but received from jails. As, however, the object of an estimate is to enable Government to know its cash liabilities, the figures for paper transactions have been eliminated from the estimate for 1878-79. Compared with figures of previous years, the estimated expenditure under Jails shows a decrease in 1878-79. But the Lieutenant-Governor has made a grant of Rs. 2,30,000 under Public Works for jail buildings, which in several districts are still in a very disreputable state.

Receipts and Charges connected with the supply of clothing, &c., to other departments eliminated from the jails' estimates for 1878-79.

Receipts under "Registration" expected to grow

37. The receipts under *Registration* have been estimated at Rs. 8,00,000, against Rs. 7,00,000 for 1877-78. The new table of fees under the Registration Act is expected to raise the receipts by about 25 per cent., and the steady and regular expansion of registration is not likely to be checked, save by some serious and general calamity. The expenditure of the department has been at the same time reduced by a careful revision of establishments and regulation of their rate of payment.

Gross revenue under "Law and Justice" estimated at Rs. 22,67,000.

38. The gross revenue under LAW AND JUSTICE is estimated at Rs. 22,67,000. This estimate is perhaps rather sanguine with reference to the results of the present year's working as seen in the revised estimate for 1877-78.

"Marine"

39. The receipts under MARINE have been estimated at Rs. 10,87,000, against the grant made by the Government of India under this head of Rs. 10,84,000.

XXXVII—continued. The revised estimates for 1877-78 show receipts amounting to Rs. 14,76,000 during the current year, which are attributable to the great development of the trade in grain during the pressure of the late famine, and the consequent remarkable influx of vessels to the port; but the Lieutenant-Governor did not feel justified in anticipating a recurrence of these exceptional circumstances in 1878-79.

Receipts under "Education" have been increasing from Rs 3,90,000 in 1871-72, to an estimate of Rs 5,29,000 in 1878-79.

40. The receipts under EDUCATION are estimated at Rs. 5,29,000, against Rs. 5,25,000 in 1878-79. It may be noted that, since the inauguration of the scheme of Provincial finance, the receipts under this head have greatly increased, thus—

	Rs.		Rs.
1871-72 ...	3,90,000	1875-76	4,95,287
1872-73 ...	3,80,007	1876-77	4,75,227
1873-74 ...	4,78,540	1877-78 (regular estimate)	5,25,000
1874-75 ...	5,02,363	1878-79 (estimate) ...	5,29,000

As educational receipts consist chiefly of college and school fees, the fact of their steady increase is particularly satisfactory.

"Miscellaneous."

41. Under the head of MISCELLANEOUS are included receipts from sale of old stores, unclaimed deposits, medical, printing, and various other sources. The gross receipts are estimated for 1878-79 at Rs. 10,66,000, against Rs. 10,69,000 in 1877-78.

"Medical."

42. The receipts under *Medical* are estimated at Rs. 1,44,000, against Rs. 1,59,000 in 1877-78. There is a slight decrease in the estimated receipts of the coming year, attributable chiefly to the substitution of the cheap cinchona febrifuge for quinine in sales to the public, &c. In both 1876-77 and 1877-78 the great influx of shipping into the port of Calcutta gave an abnormal development to the fees from paying patients in Government hospitals and asylums, which is not likely to recur next year. The general question of enforcing payment from well to-do patients in Government hospitals is now under consideration.

"Printing."

43. The receipts from *Printing* are estimated at Rs. 52,000; and from unclaimed deposits at Rs. 6,00,000.

"Public Works."

44. PUBLIC WORKS receipts are estimated by that Department at Rs. 61,000.

Receipts of the "Sone" and "Orissa Canals" show a large and satisfactory advance.

45. The gross receipts of the *Sone* and *Orissa Canals* (CANALS) are estimated at Rs. 9,67,000 for next year, showing a large and satisfactory advance attributable to the readiness with which landowners and others are now coming forward to take the water.

XXXVII—continued.

46. From STATE RAILWAYS an income is expected of Rs. 16,18,000, which may probably be larger if the rolling stock of the Northern Bengal Railway is increased.

"State Railways"

47. On the expenditure side of the estimates, the first heading is that of INTEREST representing the gross interest charge for the year upon the capital expended on reproductive works, for which the Provincial Government is responsible. This is taken to be Rs. 31,99,000. The actual amount which the local Government has to make good is the gross interest less the net traffic receipts, and will amount in 1878-79 to about Rs. 24,15,000. This will be met from the Public Works cess collections, the balance of which will then be available for other works of improvements within the province. The charge entered under FAMINE INSURANCE represents, as above explained, the estimated net proceeds of the license tax. The cost of collecting this tax, estimated at Rs. 2,35,000, is entered under heading VII, ASSESSED TAXES. The cost of establishment for collecting the Public Works cess, Rs. 50,000, is shown under VIII, PROVINCIAL RATES.

Estimates, 1878-79—continued.

EXPENDITURE.

"Interest," representing the gross interest charge for the year upon capital expenditure.

"Famine Insurance," representing the net proceeds of the License Tax

"Assessed Taxes," representing the cost of collecting the License Tax.

"Provincial rates" including the cost of collecting the Public Works Cess.

48. The estimated grant for REFUNDS AND DRAWBACKS under Provincial Services was Rs. 5,23,000. To this has now been added Rs. 34,000 on account of funds lately held as reserve, and Rs. 1,000 for incorporated local funds, making a total provision of Rs. 5,58,000.

"Refunds and Drawbacks."

49. The expenditure under LAND REVENUE is taken at Rs. 25,31,000, including a grant of Rs. 1,40,000 recently made by the Government of India on account of the management of Government estates transferred to provincial control. The local estimates, as passed by the Board for the management of these estates, amount to Rs. 1,46,200, but the Lieutenant-Governor will only admit the provision of Rs. 1,40,000. The other expenditure under this head consists mainly of salaries of permanent establishments, and remains on the whole tolerably constant, with, however, a strong tendency to increase, which it has been necessary very firmly to resist.

"Land Revenue" including charges on account of Government estates recently transferred.

50. The expenditure under EXCISE and CUSTOMS is normal, and calls for no special remark.

"Excise" and "Customs."

XXXVII— continued.

"Salt" shows an increase, the cost of the preventive establishment at Pooree having to be borne in future by the Government, and the charges of the Salt Reward Fund being for the first time shown under this head.

51. Under SALT the estimate of expenditure has been raised to Rs. 60,000, against Rs. 40,000 for 1877-78. This increase is rendered necessary by the cost of the preventive establishment at Pooree (about Rs. 13,000), which is under recent orders of the Government of India to be borne by the Government instead of by the manufacturers as heretofore. An application was made to the Government of India to increase the provincial assignment to the extent of the extra charge thus thrown on the local Government, but His Excellency the Governor-General in Council has decided that this shall be postponed until it is certain what the actual charge is likely in future to be. Meantime the Provincial Government will defray the cost, looking to the Supreme Government to indemnify it hereafter. The charges of the *Salt Reward Fund* have also for the first time been shown under this head, and have helped to swell the figures of expenditure.

"Administration" and "Law and Justice" show a constant tendency to increase.

52. The expenditure of the *Jails* and *Registration* Departments included under the major head of LAW AND JUSTICE has been noticed above. The expenditure under ADMINISTRATION and LAW AND JUSTICE proper consists mainly of salaries and payments to fixed establishments which are not susceptible of reduction, but rather, as in the case of 'land revenue charges,' show a constant tendency to increase. The Lieutenant-Governor has it in contemplation to invite the High Court to assist in a general scrutiny and revision of ministerial judicial establishments, which may possibly effect some savings. But there can be no doubt that the Government must be prepared very shortly to meet a large increase in the number of Moonsifs as well as the cost of the system of appellate benches, now under reference to the Secretary of State. The Lieutenant-Governor hopes, however, that some part at least of the increased cost of Moonsifs may be met by a revision and re-arrangement of grades in the Subordinate Judicial Service.

Anticipated increased charges on account of Moonsifs and the system of appellate benches, proposed to be met partly by a revision and re-arrangement of grades in the Subordinate Judicial Service.

Increase under "Minor Departments" due to establishment charges of Incorporated Local Funds and funds formerly under Reserve.

53. Under MINOR DEPARTMENTS are entered Rs. 1,85,000 on account of expenditure on the establishments of funds formerly under Reserve, and Rs. 5,78,000 on account of the establishments of Incorporated Local Funds. This accounts for the apparent large increase under this head, which now aggregates Rs. 10,19,000.

54. The expenditure on account of POLICE has been estimated at Rs. 39,08,000, against Rs. 41,00,000 for 1877-78.

XXXVII—continued.

The Inspector-General of Police is now engaged on a detailed examination of the police allotments of all the districts in Bengal, in view to extensive reductions, which are believed to be both possible and desirable. Already reductions aggregating Rs. 32,000 have been made in the case of Orissa, and it is expected that the retrenchments throughout Bengal will aggregate not less than Rs. 1,75,000. These reductions will not in any way impair the real efficiency of the force, being based upon a more careful adaptation of the police arrangements to local requirements and on certain improvements of system, as to which there is a general agreement among the most experienced district and police officers.

Reductions under "Police" aggregate Rs. 32,000, in the case of Orissa; and are expected to amount to Rs. 1,75,000, throughout Bengal.

55. Under EDUCATION the provincial expenditure has been estimated at Rs. 25,72,000, against Rs. 24,32,000, the revised estimate for 1877-78, and Rs. 24,47,958 the actual expenditure of 1876-77. Provision has been made in the estimates for the introduction of the graded scheme of teachers' salaries, and for the maintenance and gradual extension of the Government Art Gallery. To the above figure for 1878-79 has to be added Rs. 23,000, expenditure debited to the Estates Improvement Fund, making the total grant under this head Rs 25,95,000.

Under "Education," provision has been made for the introduction of the graded scheme of teacher's salaries and for charges of the Government Art Gallery.

A sum of Rs. 23,000 has to be added, debitable to the "Estates Improvement Fund."

56. The provincial MEDICAL expenditure is estimated at Rs. 12,07,000, against Rs. 13,35,000 for 1877-78. There has been a large and serious increase in this class of expenditure since 1871-72, into the causes of which the Lieutenant-Governor has ordered close and detailed enquiry. The grant for the ensuing year is reduced, in the expectation that the Committee now investigating the subject will secure very shortly savings in hospital and dispensary outlay. At the same time the reductions made have been for the present very moderate in amount, to prevent any risk from a too summary change of system. A sum of Rs. 4,000 debitable to local funds has been added to the Provincial estimate, which shows a total of Rs. 12,11,000.

Committee appointed to inquire into the causes of the large increase of expenditure, since 1871-72, under "Medical."

57. The expenditure under Printing has been estimated at Rs. 1,85,000, against Rs. 2,58,000 for 1877-78. The large decrease is due to radical changes made in the organization of the Printing Department, which are expected to result in savings to the extent of one lakh of rupees. In future, all heavy printing work will be executed at the

"Printing" shows a large decrease of expenditure. In future all heavy printing work will be executed at the Presidency Jail and only the

XXXVII—continued.

current printing work of the office at the Secretariat Press.

Presidency Jail, which is being converted into a large Government Printing and Binding Establishment. At the Secretariat Press only the current printing work of the office will be carried on. To the above a sum of Rs. 2,000 has to be added on account of reserve funds work.

Measures under consideration for reducing the outlay under "Stationery."

58. The grant for STATIONERY received from the Government of India was Rs. 4,98,000, reduced to Rs. 4,48,000. The estimated charge in 1878-79 is Rs. 5,15,000, but measures are under consideration for reducing the outlay under this head.

No real increase of charge to Government under "Miscellaneous."

59. Under "MISCELLANEOUS" has been included a sum of Rs. 2,000, debitable to funds formerly in reserve, and Rs. 83,000, charges of Incorporated Local Funds. The total grant is thus raised to Rs. 3,79,000, but there is no real increase of charge to Government

Public Works Ordinary, the largest head of expenditure, the total grant under this head for 1878-79 being Rs. 85,99,000.

60. The largest head of expenditure is the PUBLIC WORKS ordinary, the total grant for which in 1878-79 is Rs. 85,99,000, thus made up—

	Rs.
Original normal grant for Public Works ...	24,90,000
Additional grant (explained below)	20,00,000
Expenditure formerly debited to Reserve Funds ...	9,14,000
Grant for Railway Surveys	80,000
Total grant from Provincial Services	54,84,000
Expenditure from Incorporated Local Funds ...	31,15,000
Total ...	85,99,000

6. The grant originally made to the Public Works Department for 1878-79, on which its detailed Provincial estimates were to be prepared, was Rs. 24,90,000 only. When, however, the revised estimates of 1877-78 showed that the financial position of the province was a safe and flourishing one, and in view of the favourable estimate of the receipts for 1878-79, the Lieutenant-Governor decided to make a large addition to the Public Works expenditure, and to carry out various important and useful schemes that had been left in abeyance for want of funds.

Reviewing the grants under Public Works Ordinary from 1871-72.

62. On the inauguration of the scheme of Provincial Finance in 1871-72, the grant made by the Government of India for Provincial Public Works was about 26 lakhs of rupees. In the first year of the Provincial scheme, Sir George Campbell allowed the Public Works Department to expend only a little more than this grant; but in the next year (1872-73), as he had by saving elsewhere secured

a large surplus, large special grants were given for roads and communications and the general improvement of the province; and the expenditure rose to nearly 35½ lakhs. In October 1873 came the first alarm of scarcity, and during the next two years—that is up to the end of 1874-75—the resources of the Provincial Public Works Department were devoted almost entirely to relief works in the distressed districts. When the famine was over, the local Government found its balances, as already explained, completely exhausted. In April 1876, the Lieutenant-Governor (Sir Richard Temple) expressed his conviction that there was no probability that the annual grant for Provincial Public Works could for some years to come, exceed 25 lakhs of rupees. In accordance with this principle, the grants for Provincial Public Works for 1876-77, 1877-78, and 1878-79 were fixed.

XXXVII—continued.

63. The Lieutenant-Governor has now, however, decided upon taking in hand and pushing on as rapidly as possible the following important public works, making grants from Service Funds to the extent specified against each:—

Specification of the important public works to be undertaken during 1878-79, such as the construction of Government offices, the Assam Emigration Road, improvements in the Medical College Hospital, &c.

	Grant. Rs.
Concentration of the Government Offices in Writers' Buildings postponed in 1875-76)	3,50,000
Improvements in the Medical College Hospital (estimated at six lakhs of rupees, half of which will be found by the Government of India) ...	3,00,000
Public Works Practical Training Institution ...	2,60,000
Jail Buildings	2,30,000
Court-houses at Durbhunga and Motihari ...	2,10,000
Assam Emigration Road	1,50,000
Other provincial roads and minor works ...	1,50,000
Improving navigable channels between Balasore and Pooree	50,000
Total ...	17,00,000

A further sum of Rs. 3,00,000 will be made available for other similar works to be selected hereafter. The sum of Rs. 9,14,000 will be spent on account of works hitherto debited to the Provincial Reserve Funds. Of this, Rs. 7,73,000 are to be devoted to improving, enlarging, and locking the Calcutta Canals. Again, in accordance with the orders of this Government, No. 890, dated 6th March, a sum of Rs. 80,000 has to be provided on account of preliminary outlay on railway surveys. This will be charged eventually to the capital cost of the lines it sanctioned; meantime it is given from Provincial Funds. The ordinary expenditure

XXXVII—continued.

of the Incorporated Local Funds upon public works is, as shown above, Rs. 29,15,000. But besides this the Lieutenant-Governor has made a further grant of Rs. 2,00,000 towards completing the Assam Emigration Road. This is in addition to grants aggregating Rs. 1,10,000 made this year for similar purposes. The total sum that Government has made available for this road and the rest-houses thereupon is Rs. 4,60,000 this year and next.

"Canals" and "State Railways."

64. The grants for the working expenses of CANALS and STATE RAILWAYS are Rs. 6,74,000 and Rs. 11,27,000 respectively.

General effect of the estimates upon the provincial finances and balances.

65. The general effect of the estimates upon the provincial finances and balances may be thus shown:—

	Opening balance.	Receipts.	Total.	Charges.	Closing balance.	Total.
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Provincial Finance	28,54,000	3,71,37,000	3,99,91,000	3,73,90,000	26,01,000	3,99,91,000
Local Funds ...	21,76,000	36,84,000	58,60,000	38,03,000	20,57,000	58,60,000
Total ...	50,30,000	4,08,21,000	4,58,51,000	4,11,93,000	46,58,000	4,58,51,000

A credit balance, under Provincial Funds, of not less than 20 lakhs of rupees, to be ordinarily maintained in order to meet the vicissitudes of bad years.

66. The Lieutenant-Governor is of opinion that the Bengal Government should ordinarily maintain a credit balance under Provincial Funds of not less than 20 lakhs of rupees to enable it to meet the vicissitudes of bad years, without being driven to put a sudden and disastrous stop to all works of improvement. Doubtless, when widespread and serious calamity comes upon the province, local resources at their best will not suffice to meet it, and everything must be sacrificed to the exigency of the moment. But the local Government should in normal years be in a sufficiently strong position to contemplate without dismay any mere temporary fluctuations in its excise and stamp revenue arising from bad crops and the like, and, on the other hand, it should be able to undertake from time to time works of more than common magnitude with the certainty of being able to complete them without curtailing its ordinary expenditure. Upon these principles the estimates for 1878-79 have been framed. If there seems during the year to be any prospect of a larger balance accumulating than it is necessary to maintain, special arrangements will be made for putting in hand further works which have already been decided upon.

XXXVII—continued.

Provincial Revenues during 1876-77, 1877-78 and 1878-79.

Provincial Revenues of the Government of Bengal.

Revenues and Receipts.	Actuals, 1876-77.	Budget estimate, 1877-78.	Regular estimate, 1877-78.	Regular estimate compared with budget estimate, 1877-78		Budget estimate, 1878-79.	Budget estimate, 1878-79, compared with regular estimate, 1877-78.	
				Increase.	Decrease.		Increase.	Decrease.
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
I. Land Revenue ...	...	67,000	87,000	20,000	...	86,000	...	1,000
IV. Excise ...	...	64,00,000	68,60,000	4,60,000	...	69,00,000	40,000	...
V. Assessed Taxes ...	...	...	...	...	...	23,50,000	23,50,000	...
VI. Provincial rates ...	...	...	53,88,000	53,88,000	...	87,66,000	33 78,000	...
VII. Customs ...	...	48,000	66,000	18,000	...	58,000	...	8,000
VIII. Salt ...	...	2,20,000	2,89,000	69,000	...	2,31,000	...	58,000
X. Stamps ...	...	98,50,000	1,07,50,000	9,00,000	...	1,01,50,000	...	6,00,000
XIV. Law and Justice	13,53,890	2?,14,000	21,50,000	...	64,000	22,67,000	1,17,000	...
XV. Police ...	65,802	69,500	73,000	3,500	...	79,000	6,000	...
XVI. Marine ...	300	10,84,000	14,76,000	3,92,000	...	10,87,000	..	3,89,000
XVII. Education	4,75,229	4,73,700	5,25,000	51,300	...	5,29,000	4,000	...
XXI. Miscellaneous ...	3,17,952	11,05,800	10,69,000	...	36,800	10,66,000	...	3,000
XXIII. Public Works Ordinary	3,00,033	93,000	73,000	..	20,000	61,000	.	12,000
XXIV. Canals ...	...	...	5,15,000	5,15,000	...	9,67,000	4,52,000	...
XXVI. State Railways ...	...	...	6,23,000	6,23,000	...	16,18,000	9,95,000	...
XXVII. Contributions ...	...	70,000	...	...	70,000	...	...	...
Debt heads ...	2,82,229	...	...	...	...	...	...	...
Total ...	27,95,435	2,16,95,000	2,99,44,000	84,39,800	1,90,800	3,62,15,000	73,42,000	10,71,000
Imperial allotment...	1,11,11,574	48,32,000	48,55,000			46,06,000		
Total ...	1,39,07,009	2,65,27,000	3,47,99,000			4,08,21,000		
Opening balance ...	5,00,000	47,692	(a) 2,88,496			50,30,000		
Grand Total ...	1,44,07,009	2,65,74,692	3,50,87,496			4,58,51,000		

(a)—The difference between the actual closing balance of 1876-77, and the opening balance of 1877-78, is due to an error of Rs. 1,231 subsequently added to the opening balance of Rs. 5,00,000 of 1876-77 on account of certain rent receipts previously omitted.

XXXVII
—concluded.

Provincial expenditure during 1876-77, 1877-78 and 1878-79.

Provincial Expenditure of the Government of Bengal.

EXPENDITURE	Actual, 1876-77	Budget estimate, 1877-78	Regular estimate, 1877-78	REGULAR ESTIMATE, COMPARED WITH BUDGET ESTIMATE, 1877-78		Budget estimate, 1878-79	BUDGET ESTIMATE 1878-79, COMPARED WITH REGULAR ESTIMATE, 1877-78	
				Increase	Decrease		Increase	Decrease
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs.
1. Interest on debt	...	.	20,00,000	20,00,000	.	31,99,000	11 99,000	...
Famine Insurance			...	.	...	21,15,000	21,15,000	...
3 Refunds and drawbacks	41,846	5,17,000	5,20,000	3,000	.	5 58,000	38,000	...
4 Land Revenue	...	24,46,000	24,06,000	...	40,000	25,31,000	1,25,000	...
5 Forest .	.	1 000	1 000	...		1,000	.	...
6 Excise	...	3,19,000	3,10,000		9,000	3,26,000	16,000	
7 Assessed Taxes	.					2,35,000	2,35,000	...
8 Provincial rates	...		10,000	10,000	..	50,000	40,000	
9 Customs	.	6,97,000	7,10 000	13,000	..	6,79,000		31,000
10 Salt	..	40,200	40,000		200	60,000	20,000	
12 Stamps	...	2,38 000	2,43,000	5,000		2,40,000	..	3,000
16 Administration		13,12 340	13,10,000	...	2 340	13,15,000	5,000	...
17 Minor Department	3,90,133	2,99,260	2,56,000		43,260	10,19,000	7,63,000	...
18 Law and Justice	21,22,792	85,69,510	84,20,000	..	1,49,510	85,44,000	1,24,000	...
19 Police ..	39,96 815	38,79,000	41,00,000	2 21 000		39,08,000		1,92,000
20 Marine	1,083	10 99,000	11,29,000	30,000		11,17 000		12,000
21. Education	24,47,958	24,70,900	24,33,000	...	37,900	25,95,(00	1,62,000	...
22 Ecclesiastical		10,000	9,000		1,000	9 000		
23 Medical ..	13 62 918	13,23,000	13,35,000	12,000		12,11,000	...	1,24,000
24. Stationery and Printing.	2,95,243	2,31,000	2,84,000	53,000		1,87,000	..	97,000
Ditto from Central stores	...	4,98,000	5,11,000	13,000	..	5,15,000	4,000	..
28 Superannuations	..	...	...	...	...	...		...
30 Miscellaneous	3,41,514	3,03,660	2,96,000		7,660	3,79,000	83,000	...
Rents, Rates, and Taxes	1,95,739			...	...	...	...	...
33 Public Works, Ordinary	25,59,247	22,84,400	26,55,000	3,70,600		85,99,000	59,44,000	...
34 Canals	...	...	5,75,000	5 75,000		6 74,000	99 000	...
36 State Railway		...	5,04,000	5,04,000		11,27,000	6,23,000	...
37 Contribution .	1 81,449	...	.			..	...	...
Debt heads ...	1 83,007		...			...		..
Total	1,41 19 744	2,65,38,270	3,00,57,000	38,09,600	2,90,810	4 11 93,000	1,15,98,000	4,59,000
Closing balance	2,87,265	36,422	*50,30,000			†46,58,000		
	1,44,07,009	2,65,74,692	3,50,87,000			4,58,51,000		

		Rs
*	Provincial balance	28,54,000
	Local Funds balance	21,76,000
†	Provincial balance ..	26,01,000
	Local Funds balance	20,57,000

No. 1503, dated Fort William, the 31st March 1879. **XXXVIII.**

From—R. H. HOLLINGBERY, Esq, Asst. Secy. to the Govt. of India, Financial Department,

To—The Secy. to the Govt. of Bengal, Financial Department.

Reviewing the estimates of revenue and expenditure of Bengal for 1879-80 and prescribing a reclassification of the accounts.

I AM directed to acknowledge the receipts of the estimates of revenue and expenditure of Bengal for the year 1879-80, and in reply to communicate the following orders:—

REVENUE.

REVENUE.

I.—Land Revenue.

I.—Land Revenue.

The Record-room receipts and Land Registration fees, amounting to Rs. 92,000, have been transferred from this head to XXIII, Miscellaneous.

V.—Assessed Taxes.

V.—Assessed Taxes.

Of the total amount entered under this head, Rs. 24,00,000 have been transferred to the Imperial column, as the Imperial share of the license-tax.

VI.—Provincial Rates.

VI.—Provincial Rates.

This head is to be confined in future to rates upon land, viz. Public Works cess (provincial) and District Road (cesses on land, rivers, houses, &c.), local. The following transfers have therefore been made:—

	Rs.	Provincial. Rs.	Local. Rs.
To XII, Post Office—			
Miscellaneous zemindary dâk receipts ...	...	...	4,000
To XIV, Minor Departments—			
Inland labour transport ...	...	1,57,000	...
To XV, Law and Justice—			
Pleadership examinations ...	...	5,000	...
To XVI, Police—			
Pounds	3,17,000	...	...
Steam-boilers	12,000	...	...
		3,29,000	
To XXIII, Miscellaneous—			
Circuit-house	7,000	...	...
Sundries (district road funds, local)	91,000	98,000	47,000
To XXIV, Public Works Department—			
(district roads items, local)—			
Toll on ferries and roads ...	4,99,000	...	20,000
Improvement of estates ...	1,96,000	...	...
		6,95,000	

XXXVIII —continued.

	Provincial. Rs.	Local. Rs.
To XXV, Irrigation and Navigation—		
Nuddea rivers and Calcutta canals ...	7,80,000	10,000
To Excluded Local Funds—Zoological Gardens	...	35,000
Contributions from provincial funds to district roads struck out	...	45,000
	20,64,000	1,61,000
Entered under this head	33,84,000	37,13,000
	54,48,000	38,74,000
	93,22,000	

VII.—Customs.

VII.—Customs.

The local estimate under this head has been reduced in consequence of the revision of tariff valuations and the remission of import duty on all cotton goods containing yarn of no higher count than 30*s*.

VIII.—Salt.

VIII.—Salt.

There has been a reduction of the duty on salt since the beginning of the year, which is calculated to cause a loss of 20 lakhs a year. It will suffice therefore to enter Rs. 2,33,00,000.

IX.—Opium.

IX.—Opium.

Estimate under this head has been settled thus—

	Chests.
Provision opium chests—	
9 months at 5,000	45,000
3 ditto at 4,700	14,100
	59,100
	Rs.
At Rs. 1,040 a chest	6,14,64,000
Miscellaneous	15,36,000
	6,30,00,000

XII.—Post Office.

XII.—Post Office.

The miscellaneous zemindary dâk receipts are entered here by transfer from VI, Provincial Rates.

XIV.—Minor Departments.

XIV.—Minor Departments.

The amount entered here is by transfer from VI, Provincial Rates, Rs. 1,57,000, and from XXIII, Miscellaneous, Rs. 82,000—total Rs. 2,39,000.

XXXVIII —continued.

XV.—Law and Justice.

XV.—Law and Justice.

The estimated receipts on account of Pleadership examinations, amounting to Rs. 5,000, have been transferred from VI, Provincial Rates, to this head.

XVI.—Police.

XVI.—Police.

The transfer from VI, Provincial rates, Rs. 3,29,000, viz. Cattle-pounds Rs. 3,17,000, and Steam-boilers Rs. 12,000, has raised the local estimate under this head from Rs. 74,000 to Rs. 4,03,000.

XIX.—Medical, and XX Stationery and Printing.

XIX.—Medical, and XX Stationery and Printing.

The amounts shown under these heads have been transferred from XXIII, Miscellaneous.

XXIII.—Miscellaneous.

XXIII.—Miscellaneous.

From and to this head the following transfers have been made:—

	Rs.	Rs.
To XIX, Medical—		
Medical receipts		1,71,000
To XX, Stationery and Printing—		
Printing	59,000	
Stationery	20,000	
		79,000
To XIV, Minor Departments—		
Botanical Gardens	1,000	
Cinchona alkaloids	81,000	
		82,000
		3,32,000
From I, Land Revenue...		92,000
From VI, Provincial Rates (provincial)		98,000
Ditto ditto (local)		47,000
		2,37,000
Net deduction ...		95,000

Rs. 1,000 more have been deducted to round the total for the whole head.

XXIV.—Public Works, Ordinary.

XXV.—Irrigation and Navigation.

XXIV.—Public Works, Ordinary.

XXV.—Irrigation and Navigation.

The increases under these heads are owing to transfers from VI, Provincial Rates.

XVII.—Marine.
7.—Assessed taxes;
27.—Civil Furlough Allowances.

The slight alterations under the heads noted in the margin have been made to round the totals.

XXXVIII—continued.

EXPENDITURE.

EXPENDITURE.

1.—Interest.

1.—*Interest.*

The amount entered here is interest on the capital expenditure of productive public works as estimated in the Public Works Department.

4.—Land Revenue.

4.—*Land Revenue.*

The cost of country stationery (Rs. 17,000) has been transferred from this head to 24, Stationery and Printing.

5.—Forests.

5.—*Forests.*

The reasons for altering the estimate under this head will be communicated in the Revenue Department.

6.—Excise.

6.—*Excise.*

The cost of country stationery (Rs. 3,000) has been transferred to 24, Stationery and Printing.

8.—Provincial Rates.

8.—*Provincial Rates.*

The following transfers have been made under this head:—

	Rs.	Rs.
To 16, Administration (Provincial):—Circuit-houses	5,000	
General management of Wards' Estates ...	71,000	
		76,000
To 17, Minor Departments (Provincial):—Inland Labour Transport Fund	.....	46,000
To 18, Law and Justice (Provincial):—Pleadership Examination	.....	5,000
To 19, Police Pounds (Provincial)	1,42,000	
Steam-boilers	12,000	
		1,54,000
To 31, Public Works Ordinary, Ferries (Provincial)	33,000	
Petty construction and repairs (Local) ...	5,06,000	
Improvement of Estates (Local)	1,11,000	
		6,50,000
To Excluded Funds, Zoological Gardens ...	.....	26,000
		9,57,000
Entered here ...	.....	2,69,000
Local Estimate ...	.....	12,26,000

XXXVIII —continued.

10.—*Salt.*

10.—Salt.

As the Government of India has agreed to make an additional allotment for the Salt Preventive Establishments in Orissa, the sum of Rs. 33,000 provided on that account in the Provincial section of the estimate has been transferred to the Imperial section.

11.—*Opium.*

11.—Opium.

The estimate under this head has been fixed at Rs. 2,49,70,000 to bring out a net revenue of 6½ crores.

16.—*Administration.*

16.—Administration.

17.—*Minor Departments.*

17.—Minor Departments.

The increases under these heads are owing to transfers from 8, Provincial Rates.

18.—*Law and Justice.*

18.—Law and Justice.

19.—*Police.*

19.—Police.

The following transfers have been made under these heads:—

			Law and Justice.	Police.
			Rs.	Rs.
From 8, Provincial Rates	...	...	5,000	1,54,000
To 24, Stationery and Printing	...	...	58,000	16,000
	Net	...	—53,000	+ 1,38,000

20.—*Marine.*

20.—Marine.

The reasons for altering this estimate will be communicated in the Marine Department.

XXXVIII —continued.

24.—Stationery and Printing.

24.—*Stationery and Printing.*

The following transfers have been made to this head for country stationery:—

		Rs.
From	4, Land Revenue	17,000
„	6, Excise	3,000
„	18, Law and Justice	58,000
„	19, Police	16,000
		94,000
	Added for stationery supplied from central stores ...	5,64,000
		6,58,000

The local estimate has accordingly been raised from Rs. 5,02,000 to Rs. 11,60,000.

31.—Public Works, Ordinary.

31.—*Public Works, Ordinary.*

The reduction of Rs. 14,37,000 under this head is made up thus—

		Rs.
Transfer—		
	To 32, Irrigation	11,33,000
Deduction—		
	For Zoological Gardens	9,000
	„ Contribution to District Road Account ...	45,000
	„ A special addition of 9 lakhs made for expenditure on certain canal projects	9,00,000*
		20,87,000
	Transfer from 8, Provincial Rates ...	6,50,000
		14,37,000

32.—Irrigation and Navigation.

32.—*Irrigation and Navigation.*

Under this head the following sums have been added:—

		Rs.
Transferred from 31, Public Works Ordinary—		
	For Calcutta Canals	10,26,000
	„ Nuddea Rivers	1,07,000
		11,33,000
	Added for expenditure on certain canal projects ...	9,06,000
		20,39,000
	Local Estimate ...	7,44,000
	Amount fixed ...	27,83,000

* This deduction of Rs. 9,00,000 is in rectification of an addition of Rs. 9,06,000 under 32, Irrigation and Navigation.

XXXVIII

—continued.

To the provincial allotments Rs. 3,00,000 have been added on account of improvements to the Calcutta Medical College Hospital buildings.

Three lakhs added to the Provincial allotments for improvements to the Calcutta Medical College.

In consequence of the foregoing amendments, the amount estimated as the Provincial and Local Deficit has been altered from Rs. 16,06,000 to Rs. 6,03,000.

A statement showing the latest local figures and those adopted by the Government of India is herewith forwarded.

Copy of this letter and of the statement forwarded to the Comptroller-General and the Accountant-General, Bengal, for information and guidance.

XXXVIII
—continued.

BEN
Estimates

Estimates of Revenue for 1879-80.

Revenues and Receipts.	Local.			
	Imperial.	Provincial.	Local.	Total.
	Rs.	Rs.	Rs.	Rs.
Opening balance ...	.....	31,82,000	8,54,000	40,36,000
I.—Land Revenue	3,70,80,000	92,000	.....	3,71,72,000
III.—Forest	5,75,000	.....	.....	5,75,000
IV.—Excise	.....	73,00,000	.....	73,00,000
V.—Assessed Taxes	.....	27,65,000	.....	27,65,000
VI.—Provincial Rates	.....	50,05,000	43,17,000	93,22,000
VII.—Customs	1,10,64,000	50,000	.....	1,11,14,000
VIII.—Salt	2,54,00,000	1,47,000	.....	2,55,47,000
IX.—Opium	6,79,33,000	.....	.....	6,79,33,000
X.—Stamps	.....	1,07,00,000	.....	1,07,00,000
XII.—Post Office	.....	.....	.....	.....
XIV.—Minor Departments ...	.....	.....	.....	.....
XV.—Law and Justice	.....	26,51,000	.....	26,51,000
XVI.—Police	.....	74,000	.....	74,000
XVII.—Marine	1,99,000	11,50,000	.....	13,49,000
XVIII.—Education	.....	4,50,000	.....	4,50,000
XIX.—Medical	.....	.....	.....	.....
XX.—Stationery, &c.	.....	.....	.....	.....
XXI.—Interest	8,36,000	.....	.....	8,36,000
XXII.—Superannuation Con. ...	70,000	.....	.....	70,000
XXIII.—Miscellaneous	48,000	11,33,000	.....	11,81,000
XXIV.—P. W. Ordinary	.....	94,000	... ..	94,000
XXV.—Irrigation	.....	10,67,000	.....	10,67,000
XXVII.—State Railways	.....	20,17,000	.....	20,17,000
XXIX.—P. & L. Deficits	16,06,000	.....	.....	16,06,000
XXXI.—Gain by Exchange	30,000	.....	.....	30,000
Allotments ..	.....	43,19,000	.....	.....
Total ..	14,48,41,000	3,00,14,000	43,17,000	18,38,53,000
Grand Total ..	.....	4,21,96,000	51,71,000	.....
Provincial and Local Deficit ...	.....	14,63,000	1,43,000	16,06,000

GAL
1879-80.

XXXVIII
—continued.

Financial.				Increase.	Decrease.
Imperial.	Provincial.	Local.	Total.		
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
.....	36,85,000	4,94,000	41,79,000	1,43,000	.....
3,70,80,000	.....	.....	3,70,80,000	.....	92,000
5,75,000	.....	.....	5,75,000	.....	.....
.....	73,00,000	.....	73,00,000	.....	.....
24,00,000	3,65,000	.....	27,65,000	.....	.....
.....	33,84,000	37,13,000	70,97,000	.....	22,25,000
94,60,000	50,000	.....	95,10,000	.....	16,04,000
2,31,53,000	1,47,000	... ..	2,33,00,000	.....	22,47,000
6,30,00,000	.....	... ..	6,30,00,000	.....	49,33,000
.....	1,07,00,000	.....	1,07,00,000	.....	.....
.....	.....	4,000	4,000	4,000	.....
.....	2,39,000	.....	2,39,000	2,39,000	.. ...
.....	26,56,000	.....	26,56,000	5,000	.....
.....	4,03,000	.....	4,03,000	3,29,000	.....
1,95,000	11,50,000	.....	13,45,000	.....	4,000
.....	4,50,000	.....	4,50,000	.....	.....
.. ...	1,71,000	.....	1,71,000	1,71,000	.. ...
.....	79,000	.....	79,000	79,000	.....
8,36,000	.....	.....	8,36,000	.....	.....
70,000	.....	.....	70,000	.....	... ..
48,000	9,91,000	47,000	10,86,000	.....	95,000
19,000	7,89,000	20,000	8,28,000	7,34,000	.....
.....	18,49,000	10,000	18,59,000	7,92,000	.. ...
.....	20,17,000	.....	20,17,000	.....	.....
6,03,000	. ....	.....	6,03,000	.....	10,03,000
30,000	. ....	.....	30,000	... ..	.....
.....	46,10,000	.....	... ..	.....	... ..
13,74,60,000	3,73,59,000	37,91,000	17,40,03,000	.....	98,50,000
.....	4,10,11,000	42,88,000	.....	.....	.....
.....	1,15,000	4,88,000	6,03,000	.....	10,03,000

XXXVIII —continued.

BEN
Estimates

Estimates of Expenditure for 1879-80.

Expenditure.	Local.			
	Imperial.	Provincial.	Local.	Total.
	Rs.	Rs.	Rs.	Rs.
1. Interest on Funded Debt ...	.....	.....	.....	.....
2. Interest on Service Funds ...	1,43,000	.....	.....	1,43,000
3. Refunds	4,59,000	5,65,000	2,07,000	12,31,000
4. Land Revenue	4,25,000	25,54,000	.....	29,79,000
5. Forest	3,68,000	.....	.....	3,68,000
6. Excise	.....	2,90,000	.....	2,90,000
7. Assessed Taxes	.....	2,00,000	.....	2,00,000
8. Provincial Rates	.....	2,44,000	9,82,000	12,26,000
9. Customs	.....	7,00,000	.....	7,00,000
10. Salt	1,10,000	77,000	.....	1,87,000
11. Opium	2,49,49,000	.....	.....	2,49,49,000
12. Stamps	.....	2,53,000	.....	2,53,000
14. Post Office	.....	.....	2,95,000	2,95,000
16. Administration	2,70,000	13,49,000	.....	16,19,000
17. Minor Departments	20,000	2,69,000	.....	2,89,000
18. Law and Justice	2,57,000	87,84,000	.....	90,41,000
19. Police	.....	38,58,000	.....	38,58,000
20. Marine	15,62,000	11,70,000	.....	27,32,000
21. Education	.....	25,23,000	23,000	25,46,000
22. Ecclesiastical	2,27,000	9,000	.....	2,36,000
23. Medical	3,70,000	12,72,000	13,000	16,55,000
24. Stationery and Printing	2,50,000	2,45,000	7,000	5,02,000
25. Political	39,000	.....	.....	39,000
26. Allowances, &c.	24,18,000	.....	.....	24,18,000
27. Civil Furlough	20,000	.....	.....	20,000
28. Superannuations	7,48,000	1,000	2,000	7,51,000
29. Miscellaneous	37,000	3,31,000	.. ...	3,68,000
31. Public Works, Ordinary ...	9,85,000	55,00,000	29,31,000	93,16,000
32. Irrigation and Navigation ...	.....	16,50,000	.....	16,50,000
34. State Railways	.....	15,11,000	.....	15,11,000
39. P. P. W. Capital Expenditure (Provincial)	.....	6,00,000	.....	6,00,000
Contribution for P. P. W. Interest	.....	35,74,000	.....	.....
Stamps and Stationery	.....	5,64,000	.....	.....
Famine Insurance	.....	23,84,000	.....	.....
Total ...	3,35,57,000	4,04,77,000	44,60,000	7,19,72,000
Closing Balance	.....	17,19,000	7,11,000	24,30,000
Grand Total ...	.....	4,21,96,000	51,71,000	.....

GAL
1879-80.

XXXVIII
—concluded.

Financial.				Increase.	Decrease.
Imperial.	Provincial.	Local.	Total.		
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
.....	37,97,000	.....	37,97,000	37,97,000	.....
1,43,000	.....	.....	1,43,000	.....	.....
4,59,000	5,65,000	2,07,000	12,31,000	.....	.....
4,25,000	25,37,000	.....	29,62,000	.....	17,000
3,58,000	.....	.....	3,58,000	.....	10,000
.....	2,87,000	.....	2,87,000	.....	3,000
.....	1,96,000	.....	1,96,000	.....	4,000
.....	47,000	2,19,000	2,66,000	.....	9,60,000
.....	7,00,000	.....	7,00,000	.....	.....
1,43,000	44,000	.....	1,87,000	.....	.....
2,49,70,000	.....	.....	2,49,70,000	21,000	.....
.....	2,53,000	.....	2,53,000	.....	.....
.....	.....	2,95,000	2,95,000	.....	.....
2,70,000	14,25,000	.....	16,95,000	76,000	.....
20,000	3,15,000	.....	3,35,000	46,000	.....
2,57,000	87,31,000	.....	89,88,000	.....	53,000
.....	39,96,000	.....	39,96,000	1,38,000	.....
10,13,000	11,70,000	.....	21,83,000	.....	5,49,000
.....	25,46,000	.....	25,46,000	.....	.....
2,27,000	9,000	.....	2,36,000	.....	.....
3,70,000	12,72,000	13,000	16,55,000	.....	.....
2,50,000	9,03,000	7,000	11,60,000	6,58,000	.....
39,000	.....	.....	39,000	.....	.....
24,18,000	.....	.....	24,18,000	.....	.....
16,000	.....	.....	16,000	.....	4,000
7,43,000	1,000	2,000	7,51,000	.....	.....
37,000	3,31,000	.....	3,68,000	.....	.....
8,85,000	34,55,000	35,39,000	78,79,000	.....	14,37,000
.....	27,83,000	.....	27,83,000	11,33,000	.....
.....	15,11,000	.....	15,11,000	.....	.....
.....	6,00,000	.....	6,00,000	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
3,30,48,000	3,74,74,000	42,82,000	7,84,04,000	28,32,000	.....
.....	35,70,000	6,000	35,76,000	11,46,000	.....
.....	4,10,44,000	42,88,000	.....	.....	.....

XXXIX.

No. 2477, dated Calcutta, the 9th September 1879.

From—H. L. HARRISON, Esq., Offg. Secy. to the Govt. of Bengal, Financial Department,

To—The Secy. to the Govt. of India, Dept. of Finance and Commerce.

I AM directed to submit herewith copy of a Resolution this day recorded by the Lieutenant-Governor, reviewing the budget estimates of Provincial Services for 1879-80, with reference to the orders of the Government of India, dated 31st March last, re-classifying the accounts; and, with reference to paragraphs 13 to 18, to enquire whether it may be assumed that in future budget statements all the disbursements as well as the receipts of the Wards' Rate Fund, Estates Improvement Fund, and Inland Labour Transport Fund, may be treated as provincial, the other three funds—District Road Fund, District Road Account, and Zemindari Dâk Fund—being shown as local.

Inquiring whether the Wards' Rate Fund, Estates Improvement Fund, and Inland Labour Transport Fund are to be treated as Provincial, and the three funds, District Road Fund, District Road Account, and Zemindary Dak Fund, as Local.

XL.

Dated Calcutta, the 9th September 1879.

RESOLUTION—By the Government of Bengal, Financial Department.

READ—

Memorandum from the Accountant-General, No. 2474C, dated the 14th March 1879, submitting the Civil Budget Estimate of the Government of Bengal for 1879-80.

The Resolution of this Government, dated the 31st March 1879.

Letter from the Government of India, Financial Department, No. 1503, dated the 31st March 1879.

Recasting the provincial figures for 1879-80, so as to follow the new classification ordered by the Government of India.

The budget estimates of the various heads of Provincial Services for 1879-80 were reviewed in separate Resolutions of this Department, and eventually again reviewed in a general Resolution dated 31st March, in which certain changes and modifications were introduced in accordance with the latest information received as to the probable receipts and expenditure for the year 1878-79.

2. The Government of India, however, in passing orders on the same date on the estimates of this Government as drawn up by the Accountant-General, adopted somewhat

different figures both for the year 1878-79 and for the year 1879-80. These figures, therefore, have become the authoritative regular and budget estimates respectively for the years named, and supersede those adopted by this Government. Moreover, the letter of the Government of India makes considerable changes in the classification of the accounts, and also in the manner of exhibiting the Incorporated Local Funds. The Lieutenant-Governor therefore considers it desirable again to review the estimates for the year, and to exhibit the figures in such a form as will enable the estimates of this Government to be easily reconciled with those adopted by the Government of India, while at the same time maintaining separate figures for those funds the balances of which are not at the unrestricted disposal of the Local Government, so that the real available provincial balance may be kept distinct. XL—contd.

3. The budget for this province, annexed to the letter of the Government of India, dated 31st March 1879, shows the receipts and expenditure under three heads—Imperial, Provincial, and Local. The Imperial estimates in no way affect the provincial balances or the separate finances of this Government, and are altogether omitted from the figures in the tables below :—

XL—contd.

Statement of receipts for 1879-80, recast according to the new classification.

I.—*Receipts.*

1	2	3	4	5	6	7
HEAD OF ACCOUNT.	Figures as originally shewn in the estimates of this Government.	The same as modified in accordance with the new classification ordered by the Government of India.	Figures of last column, with receipts of Incorporated Local Funds added, so as to harmonize with the figures annexed to the letter of the Government of India, dated 31st March 1879.			
			Provincial.			Local.
			Omitting incorporated local.	Add incorporated local.	Total.	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Land Revenue	92,000	.....	.....	.....	.....	.....
Excise	73,00,000	73,00,000	73,00,000*a*	.....	73,00,000	.....
Assessed Taxes	27,65,000	27,65,000	3,65,000*b*	.....	3,65,000	.....
Provincial Rates	50,05,000	33,27,000	33,27,000	57,000*c*	33,84,000	37,13,000
Customs	50,000	50,000	50,000	.....	50,000	.....
Salt	1,47,000	1,47,000	1,47,000*d*	.....	1,47,000	.....
Stamps	1,07,00,000	1,07,00,000	1,07,00,000*e*	... ..	1,07,00,000	.....
Post Office	.....	.....	.....	...	.. ...	4,000
Minor Departments ...	.....	1,11,000	82,000*f*	1,57,000*g*	2,39,000	.....
Jails	7,31,000	7,31,000	} 26,56,000	.....	26,56,000	.....
Registration	9 20,000	9,20,000				
Law and Justice Proper	10,00,000	10,05,000				
Police	74,000	4,03,000	4,03,000	.....	4,03,000	.....
Marine	11,50,000	11,50,000	11,50,000	. ...	11,50,000	.....
Education	4,50,000	4,50,000	4,50,000	.....	4,50,000	.....
Medical	... ..	1,71,000	1,71,000	.....	1,71,000	.....
Stationery and Printing	.. ...	79,000	79,000	.....	79,000	.....
Miscellaneous	11,33,000	9,29,000	9,58,000*h*	33,000*i*	9,91,000	47,000*j*
Public Works Ordinary .	94,000	5,93,000	5,93,000	1,96,000*k*	7,89,000	20,000
Irrigation	10,67,000	18,47,000	18,49,000*l*	.. ...	18,49,000	10,000
State Railways	20,17,000	20,17,000	20,17,000	.....	20,17,000	.....
Allotments for Imperial	43,19,000	43,19,000	46,19,000*m*	.....	46,19,000	.....
Total ..	3,90,14,000	3,90,14,000	3,69,16,000	4,43,000	3,73,59,000	37,94,000

a The later estimate of 31st March made by this Government was only Rs. 71,50,000.

b The Government of India transfers Rs. 24,00,000 to Imperial as the Bengal contribution, leaving Rs. 3,65,000 only to Provincial.

c Receipts from Wards' rate omitting Miscellaneous.

d The revised estimate of this Government was Rs. 2,00,000, but later information indicates that the earlier estimate is the more reliable.

e The later estimate of this Government was Rs. 1,08,00,000, which will probably be realized.

f The Government of India apparently by mistake takes Rs. 29,000 too little for cinchona receipts.

g The estimate of receipts of this Government under Inland Labour Transport Fund. It is reported that this has since been transferred to Local.

h The Rs. 29,000 short estimated for cinchona receipts is brought in here by the Government of India. The figures given in column 3 allow for this error.

i Miscellaneous Court of Wards Rs. 4,000, and entered under a mistake for Local Rs 29,000. This has subsequently been corrected.

j Should be Rs. 76,000 by addition of Rs. 29,0 0 in note above.

k Receipts of the Government Estates Improvement Fund.

l No reason given for adding Rs. 2,000 ; apparently it is an oversight.

m Three lakhs added for contributions of the Government of India to Medical College new buildings.

XL—contd.

4. It will be seen that column 2 corresponds in every respect with the provincial figures as originally sanctioned in separate Resolutions by this Government. Column 3 shows these figures re-cast, so as to follow the new classification ordered by the Government of India. It is understood that the Comptroller-General has subsequently ordered the credit of Strand Bank rents and Staging Bungalow receipts in the accounts to the head Public Works, Ordinary. The manner in which transfers have been made from one head to another is explained in the letter of the Government of India and need not be recapitulated here. The totals of columns 2 and 3 coincide, showing that they represent the same estimates in a different form, which is sufficient for the purposes of this Resolution.

Explanation of the figures in the above Statement of Receipts.

5. Column 6 contains the provincial figures as taken by the Government of India, while columns 4 and 5 show which of these amounts belong to Incorporated Local Funds and which to what this department treats as Provincial Funds properly so-called. Column 4 should therefore correspond with column 3, and the difference between the two, Rs. 20,98,000, as already explained in the margin, is made up of—

	Rs. 24,00,000	appropriated by the Government of India in advance as the Provincial contribution from assessed taxes.
Less Rs.	3,00,000	added to Public Works Department budget for Medical College.
	2,000	Irrigation, apparently added by mistake.
	3,02,000	
	20,98,000	

Column 7 gives the estimated receipts which, like column 5, belong to the incorporated local funds, but which are classified by the Government of India as local.

7. To complete the reconciliation between the two sets of estimates, it only remains to show how the incorporated local funds have been dealt with by the Government of India in respect to these two heads.

Showing how the Incorporated Local Funds have been dealt with by the Government of India.

XL—contd. These funds and their estimated receipts for 1879-80 were at the time of the submission of the estimates as follows:—

	Rs.
District Road Fund	35,43,414*
District Road Account	48,042
Court of Wards Rate Fund	60,974
Zemindari Dâk Fund	2,77,000
Estates Improvement Fund	1,95,753
Inland Labour Transport Fund	1,56,967
Encamping Ground Grazing Fund	250
Zoological Garden Fund	34,600
Total ...	43,17,000

From these figures the Government of India deducts—

	Rs.	
District Road Account ...	45,000	Contribution from Provincial and therefore not a provincial receipt.
Encamping Ground Grazing Fund.	250	This fund having been abolished as a separate fund.
Zoological Garden Fund ...	34,600	This fund having been made an excluded fund.
Total ...	79,850	

leaving Rs. 42,37,150 to be accounted for. Adding the amount shown under Provincial, column 5, Rs. 4,43,000, to that shown under local, column 7, Rs. 37,94,000, the figures agree, omitting fractions of Rs. 1,000.

8. The funds treated as Provincial are—

	Rs.
Court of Wards Rate	60,974
Estates Improvement Fund... ...	1,95,753
Inland Labor Transport Fund ...	1,56,967
Total ...	4,13,694, or say Rs. 4,14,000

This is Rs. 29,000 less than the amount shown by the Government of India; but as explained in the margin it is due to oversight, and has since been corrected. Similarly the estimates for local are Rs. 29,000 less than they should be, according to the classification adopted by the Government of India.

9. Turning now to expenditure the following table shows in a similar manner how the figures of the Government of India and those of the Government of Bengal are to be reconciled:—

* The Government of India takes Accountant-General's estimate, which includes Rs. 82,586 for tax on houses omitted in the orders of the Lieutenant-Governor on that estimate.

II.—*Expenditure.*

XL—contd. Statement of Expenditure for 1879-80, recast according to the new classification.

Head of Account.	2	3	4	5	6	7
	Figures as originally shown in the estimates of this Government.	The same as modified in accordance with the new classification ordered by Government of India.	Figures of last column, with receipts of incorporated local funds, added so as to harmonize with the figures annexed to the letter of the Government of India, dated the 31st March 1879.			
			Provincial.			
			Omitting incorporated local.	Add incorporated local.	Total.	Local.
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Interest	34,24,000	34,24,000	37,97,000*a*	.....	37,97,000	.....
Refunds	5,65,000	5,65,000	5,65,000	.....	5,65,000	2,07,000
Land Revenue	25,54,000	25,37,000	25,37,000	.....	25,37,000	.....
Excise	2,90,000	2,87,000	2,87,000	.....	2,87,000	.....
Assessed Taxes	2,00,000	2,00,000*b*	1,96,000	.....	1,96,000	.....
Provincial Rates	2,44,000	47,000	47,000	.....	47,000	2,10,000
Customs	7,00,000	7,00,000	7,00,000	.....	7,00,000	.....
Salt	77,000	77,000	44,000*c*	.....	44,000	.....
Stamps	2,53,000	2,53,000	2,53,000	.....	2,53,000	.....
Post Office	.....	.....	.....	.....	.....	2,95,000
Administration	13,49,000	13,54,000	13,54,000	71,000*d*	14,25,000	.....
Minor Departments ...	2,69,000	2,69,000	2,69,000	46,000*e*	3,15,000	.....
Jails	17,12,000	17,12,000				
Registration	4,96,000	4,96,000	87,31,000	.....	87,31,000	.....
Law and Justice (proper)	65,76,000	65,23,000				
Police	38,58,000	39,96,000	39,96,000	.....	39,96,000	.....
Marine	11,70,000	11,70,000	11,70,000	.....	11,70,000	.....
Education	25,23,000	25,23,000	25,23,000	23,000*f*	25,46,000	.....
Ecclesiastical	9,000	9,000	9,000	.....	9,000	.....
Medical	12,72,000	12,72,000	12,72,000	.....	12,72,000	13,000*g*
Stationery and Printing	2,45,000	9,03,000	9,03,000	.....	9,03,000	7,000
Stationery from Central Stores	5,64,000					
Superannuations ...	.....	.....	1,000	.....	1,000	2,000
Miscellaneous	3,31,000	3,31,000	3,31,000	.....	3,31,000	.....
Public Works (Ordinary)	45,55,000*h*	34,55,000	34,55,000	.....	34,55,000	35,39,000
Irrigation and Navigation	16,50,000	27,83,000	27,83,000	.....	27,83,000	.....
State Railways	15,11,000	15,11,000	15,11,000	.....	15,11,000	.....
Capital Expenditure ...	6,00,000	6,00,000	6,00,000	.....	6,00,000	.....
Contributions to Local Fund	1,45,000	1,45,000	.....	.....	.....	.....
Famine Insurance ...	24,00,000	24,00,000	.....	.....	.....	.....
Total ...	3,95,42,000	3,95,42,000	3,73,34,000	1,40,000	3,74,74,000	42,82,000

a The estimate made by the Government of India exceeds that of this Government by Rs. 3,73,000. The Government of India has been separately asked for details.

b The Government of India deducts Rs. 4,000 from the estimate of this Government apparently by mistake, as the amount is not added to grant for Stationery and Printing or any other grant.

c The Government of India, by way of contributing to the salt preventive establishment in Orissa, adds Rs. 33,000 to Imperial, and deducts the amount from the local estimate. This expenditure must therefore be shown as Imperial for 1879-80.

d Expenditure from Court of Wards Rate Fund.

e Establishment other than Medical of Inland Labour Transport Fund. This has since been made local.

f Spent on education from Estates Improvement Fund.

g Medical expenditure under Inland Labour Transport Fund and Estates Improvement Fund; elsewhere treated as Provincial.

h The Government of India shows our estimate at Rs. 55 lakhs; but the detailed estimates of this Government are only made out for 46 lakhs, and a sum of Rs. 45,000 is entered as contributions.

XL—contd.

Explanation of the figures in the above Statement of Expenditure.

10. The figures in column 2 do not, as in the case of the previous table, coincide with those in the parallel column of the statement appended to the letter of the Government of India under consideration. The reason is that the Government of India has altered the figures of this Government under certain heads of expenditure. The total in the statement appended to the letter of the Government of of India is Rs. 4,04,77,000, and in column 2 as above, Rs. 3,95,42,000, and the discrepancy is explained thus—

Shown by the Government of India in excess of the figures of this Government—

	Rs.	
Interest	1,50,000	The estimate of the Accountant-General, Public Works Department, was Rs. 35,74,000.
Superannuation	1,000	This head is shown blank in the budget of this Government, but a small provision was made by the Accountant-General for probable payments.
Public Works Ordinary ...	9,45,000	Nine lakhs deducted afterwards and Rs. 45,000 shown in budget of this Government under Contributions.
Total ...	10,96,000	

Shown in the budget of this Government in excess of the amount shown by the Government of India as local budget—

Contributions	1,45,000	Not included by Government of India in the accounts.
Famine Insurance ...	16,000	The Bengal estimate is for the full Rs. 24,00,000.
Total ...	1,61,000	

	Rs.
Total in the statement appended to the letter of the Government of India	4,04 77,000
Deduct ...	10,96,000
	3,93,81,000
Add ...	1,61,000
Total in column 2 above ...	3,95,42,000

11. Column 3.—The budget figures re-classified agree in the total with column 2, and the nature of the transfers made has been already sufficiently set forth in detail in the orders of the Government of India.

12. Column 6 agrees in every respect with the grants for provincial expenditure shown in the parallel column of the statement of the Government of India, and column 4 shows how this should be exhibited after omitting the expenditure on account of incorporated local funds. It will be

seen that it differs from the figures adopted by the Lieutenant-Governor in column 3, in the following items. It omits :— XL—contd.

		Rs.	
Famine Insurance	...	24,00,000	Transferred to Imperial in receipts.
Contributions	...	1,45,000	
Assessed Taxes	...	4,000	Apparently by mistake.
Salt ...	...	33,000	For Orissa Preventive Establishment.
Total	...	25,82,000	

and it adds—

Interest ...	...	3,73,000
Superannuations	...	1,000
		3,74,000

			Rs.
Total of column 3	...	...	3,95,42,000
	Deduct	...	25,82,000
			3,69,60,000
	Add	...	3,74,000
Total of column 4		...	3,73,34,000

13. It remains to explain how the Incorporated Local Funds have been treated, as under this head some confusion may arise in the classification ordered by the Government of India, expenditure under the same fund being sometimes treated as provincial and sometimes as local. Explaining how the Incorporated Local Funds have been treated by the Government of India.

14. The expenditure as shown in the estimates of this Government is as follows :—

			Rs.
District Road Fund	...	...	37,43,739
Ditto Road Account	...	...	48,941
Court of Wards Rate Fund	...	...	72,978
Zemindari Dak Fund	...	...	2,98,495
Estates Improvement Fund	...	...	2,01,330
Inland Labor Transport Fund	...	...	56,977*
Encamping Ground Grazing Fund	...	...	60
Zoological Garden Fund	...	...	34,600
	Total	...	44,57,020, or say 44,57,000

The Government of India, however, represents the budget of this Government as having been Rs. 44,60,000 by adding Rs. 2,000 for superannuations and another Rs. 1,000 in the process of rounding off a variety of miscellaneous details.

* The Accountant-General's figures are taken, and the one lakh assigned to the Assam emigration road omitted.

XL—concld.

15. In the re-classification, however, these additions are lost sight of, as the total shown under columns 5 and 7 of the above table is Rs. (1,40,000+42,82,000)=44,22,000, which corresponds with our estimates, after deducting the Zoological Garden Fund, which has been converted into an Excluded Local Fund, and the trifling disbursements estimated for under the Encamping Ground Grazing Fund, which has been abolished.

Pointing out a want of uniformity in the new classification of expenditure on account of the Incorporated Local Funds.

16. As regards the classifying of expenditure on account of these funds as local or provincial, there is an apparent want of uniformity. The refunds of all the funds are shown as local. The rest of the expenditure from the Court of Wards Rate Fund, Rs. 71,000, is shown as provincial and classified under Administration.

Of the expenditure under the Estates Improvement Fund the expenditure on hospitals is classified as Medical, *Local;* but the expenditure on schools is classified as Education, *Provincial.* No reason is given for this distinction.

Similarly, in regard to the Inland Labour Transport Fund, the expenditure on ordinary establishments is classified as Minor Departments, Provincial, while the medical expenditure is shown as Medical, Local. The Accountant-General reports that the whole of the expenditure has now been made local.

17. The sum of Rs. 1,40,000 shown as provincial is thus made up—

	Rs.		Rs.
Court of Wards Rate Fund ...	71,000	out of	72,878
Estates Improvement Fund ...	23,000	,,	2,01,330
Inland Labour Transport Fund ...	46,000	,,	56,977
	1,40,000	,,	3,31,185

18. It was obviously intended that the entire *receipts* of these funds should be shown as Provincial, and it will be far simpler if permission is given to treat all the *expenditure* as provincial also; otherwise great confusion must result in reconciling the real balances of these funds with the balances shown as the provincial and local balances by the Government of India. It was stated in paragraph 6 of the Resolution of the Government of India, Financial Department, No. 1344, dated 19th March, that the classification is not final, and that further instructions will be issued by the Comptroller-General, but no copy of such instructions has as yet been communicated to this Government.

No. 3457, dated Simla, the 27th October 1879. **XLI.**

From—J. E. O'CONOR, ESQ., Assistant Secretary to the Govt. of India, Department of Finance and Commerce,

To—The Secretary to the Govt. of Bengal, Financial Dept.

The receipts and charges of the Wards' Rate Fund, Estates' Improvement Fund and Inland Labour Transport Fund to be treated as "Provincial," and those of the District Road Fund, District Road Account, and Zemindary Dak Fund as "Local."

IN reply to your letter No. 2477, dated the 9th September 1879, I am directed to say that the Government of Bengal may correctly assume that the receipts and charges of the Wards' Rate Fund, Estates' Improvement Fund,* and Inland Labour Transport Fund, are to be treated as "Provincial," and those of the District Road Fund, District Road Account, and Zemindari Dâk Fund as "Local."

2. With reference to paragraph 18 of the Resolution forwarded with your letter, I am to observe that, the point upon which the Comptroller-General was requested to issue further instructions, by paragraph 6 of Financial Resolution No. 1344, dated 14th March 1879, is not the distribution of the Incorporated Local Funds between "Provincial" and "Local" which has been finally settled, but the classification of the detailed transactions of each fund, whether "Provincial" or "Local" under suitable heads of service.

No. 1897, dated Fort William, the 17th December 1879. **XLII.**

From—J. E O'CONOR, ESQ, Asst. Secy. to the Govt. of India, Department of Finance and Commerce,

To—The Secretary to the Govt. of Bengal, Financial Dept.

Pointing out that it was by an oversight that the Inland Labour Transport Fund was ordered to be treated as "Provincial." It is really an Incorporated Local Fund.

IN continuation of my letter No. 3457, dated the 27th October 1879, I am directed to state that it was by an oversight that the receipts and charges of the Inland Labour Transport Fund were ordered to be treated as "Provincial." That fund is really an incorporated local fund, and should be treated as such in the accounts.

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* Under a subsequent order of the Comptroller-General, the Estates' Improvement Fund was retained in the category of Incorporated Local Funds. It has, however, since been abolished under the orders of the Government of India in the Financial Department, No. 542, dated the 8th February 1881, with effect from the commencement of the year 1881-82, the surplus at credit of the Fund amounting to Rs. 1,19,737 being amalgamated with the provincial balance under Financial order No. 3552, dated the 19th October 1881.

XLIII. FAMINE—PRINCIPLES REGULATING EXPENDITURE ON ACCOUNT OF.

No. 1054, dated 4th June 1877.

From—R. B. CHAPMAN, Esq., Secy. to the Govt. of India, Financial Dept.

To—The Secy. to the Government of Bombay.

IN acknowledging the receipt of your letter No. 1914, dated the 17th April, I am directed to say that the principle upon which the Resolution of the Government of India, No. 1826, dated 28th March 1877, is based, was, as appears upon its face, adopted during the operations undertaken for the relief of the people of Bengal in the famine of 1873-74.

No demands to be made upon Imperial resources for expenditure for relief purposes, until first local, and then district and last of all Provincial resources are exhausted. (This principle has been modified, as will be seen further on.)

2. It seemed to the Governor-General in Council then, and seems still, that when a great calamity is confined to any particular province, it is necessary and right that all provincial and local resources should be exhausted in contending against it, before any demands are made upon the General Treasury of the Empire, and, further, that the Government of the province is bound to take care that this principle is effectually applied, and to submit to every possible sacrifice in order to reduce to the utmost its ultimate demands upon the Imperial Revenues.

3. The extent to which provincial resources shall be held responsible for charges incurred on such occasions from the Imperial Treasury has yet to be determined; but the general principle that some such responsibility must be enforced has, as the Government of Bombay is aware, been recognized by the Secretary of State and by the Government of India.

4. The duty required from the Governments of Madras and Bombay by the Resolution, against which the Government of Bombay now remonstrates, was accepted without controversy by the Government of Bengal, and the accounts show that a sum of Rs. 12,70,476 was contributed from the provincial and local resources of Bengal towards the cost of the operations of 1873-74. The Government of Bombay will probably, on reconsideration, admit that, although these contributions doubtless pressed heavily upon provincial and local resources, the Government of India was right to require them, and the Government of Bengal right to make them; and that the rule should hereafter be always

observed that local Governments shall bear from provincial and local resources as large a share as possible of any expenditure incurred upon the operations for the relief of the people in time of famine. **XLIII**—continued.

5. The Government of India, on its part, while it would not think it right to relieve the Provincial and Local Funds of other provinces, any more than it did those of Bengal, from any part of the burden which they can properly bear, or from the inconvenience and sacrifices thence resulting, will yet take care, as it did in the case of Bengal, that these funds are not left, at the end of the operations, insolvent. It must not, however, be assumed that, because it was considered right upon this principle to assure to the Government of Bengal an unencumbered balance of Rs. 5,00,000 at the end of the famine of 1873-74, it will be necessary to leave as large a sum in the provincial and local treasuries of the less populous and less extensive presidencies. Provincial and Local Funds guaranteed a balance at their credit at the end of relief operations.

6. In settling the accounts of the Government of India with that of Bengal, the Governor-General in Council did not appropriate any part of the balances belonging by law or equity to the district and local funds. The five lakhs of rupees left with the Government of Bengal was the aggregate amount placed at credit of that Government in its provincial treasury, including the Local Funds which were by law and equity at the disposal of the local Government at its discretion for provincial purposes. The balances of the district and other appropriated local funds were not absorbed, but were left in the possession of the Committees apart from the settlement which left Rs. 5,00,000 at the disposal of the Provincial Government. Those bodies were, however, required to contribute to the general need so far as the law allowed them, and so far as it was considered in each case just to demand contributions from them. Of the total sum of Rs. 12,70,746 contributed from Bengal provincial and local sources, Rs. 2,50,000 was thus paid by these separate District and other Local Committees.

7. The same course should be followed by the Government of Bombay in the present emergency. The Government of India cannot require and has not asked the Governments of Madras and Bombay to demand from any District, Municipal or other Local Committee any contribution towards the great expenditure for the relief of the present

XLIII—concluded. distress which is now proceeding, which the law does not authorize, or which, even though it might be legal, local circumstances may make inequitable. But it is undoubtedly the duty of the local Governments to exact from every such local body the utmost contribution towards meeting the cost of relieving the local distress, which may legally and equitably be required from it.

8. The principle seems to the Government of India to be clearly right that the distress should first be met from local resources so far as is possible, and that district resources should only be responsible when local resources fail, provincial resources when district resources fail, and imperial resources last of all.

9. The Governor-General in Council trusts that the principle thus explained will now be accepted by the Government of Bombay as reasonable and right. His Excellency in Council will be prepared, on his part, to give liberal consideration to the representations which he will expect to receive hereafter as to the amount to be left at the credit of the local Government, and as to the contributions which should be exacted from the district and other local funds or resources.

XLIV. No. 2531, dated Fort William, the 11th December 1877.

RESOLUTION—By the Government of India, Financial Dept.

READ again—

The following papers recorded during this year upon the subject of famine accounts:—

Accounts of Finance,	March,	Nos.	170 to	172.
Ditto ditto	June	„	63 to	66.
Ditto ditto	July	No.	69.	
Ditto ditto	August	„	43.	

THE Governor-General in Council considers it expedient now to consolidate and, in some particulars, to modify these orders as follows.

XLIV—continued.

2. In ordinary years the Imperial head of account "Famine Relief" is disused and closed, the several provincial Governments providing from provincial resources such moderate sums as may be required for the relief of any distress which may arise from the local failure of crops: such expenditure is recorded not under the head of "Famine Relief," but under the head of "Miscellaneous," sub-head "Miscellaneous and Unforeseen Charges,"

The Imperial head of account "Famine Relief" disused in ordinary years, expenditure for ordinary distress being recorded under "Miscellaneous." (This procedure has been modified by paragraph 5 of Financial Resolution No. 1131, dated 27th June 1878, further on.)

3. The Imperial Government is mainly responsible for all expenditure recorded under the head of "Famine Relief;" but this head may not be opened, and no expenditure may be recorded under it, without the previous sanction of the Governor-General in Council, which will be accorded only on the occurrence of such a widespread calamity as can properly be designated a "famine."

The head of "Famine Relief" to be opened only on the occurrence of a widespread calamity. (This procedure, also, has been modified by paragraph 5 of Financial Resolution No. 1131, dated 27th June 1878, further on.)

4. When the head of "Famine Relief" is opened, no expenditure may be recorded directly under it, excepting expenditure incurred directly and immediately for the relief of distress; as, for instance, upon relief (not public works) camps.

5. All other expenditure due to the famine, however plainly it may be traced to this cause, must in accordance with the general principles of the public accounts, be recorded under the appropriate service heads and not under "Famine Relief." Examples of such expenditure are allowances, whether to the troops or to ministerial or menial officers in the Civil Department, in compensation for dearness of provisions; extra travelling or mileage allowances to police, medical or other officers; pay of additional medical officers; extra hospital accommodation; extra public works undertaken not directly for the employment of famine-stricken people, but which, but for the occurrence of the famine, would not have been undertaken.

6. In times of famine it becomes necessary for the State to provide food for multitudes of the people who, but for State aid, would perish from starvation; the problem to be solved is, how to make the labour of the people, whom it is thus necessary to maintain, profitable enough to prevent the burden of supporting them from overwhelming the State.

7. In the pursuit of this object it has been determined that all public works undertaken directly, and only, in

XLIV— continued.

order to utilise the labour of the people who must otherwise be fed in idleness, shall be organized and supervised in the Public Works Department, and, as far as possible, constructed and managed by officers of the Public Works Department.

Principles for the division of the outlay upon Famine Works between "Famine Relief" and "Public Works"

8. The cost of all such works is, in the first instance, to be recorded under a suspense head in the accounts of the Public Works Department, which suspense head must be eventually cleared by the record of the real value, at normal rates, of the work executed, under the head of Public Works Ordinary or Extraordinary as the case may be, and the transfer of the infructuous balance to the head of "Famine Relief." The cost of the Public Works establishments employed upon relief works should be entered under the suspense head, or, if these establishments cannot be precisely distinguished, then one-fourth of the outlay upon the relief works, supervised by the Public Works Department, may be charged as establishments; but without the special sanction of the Government of India in the Financial Department, the share of the cost of the work charged to Public Works must not, in any case, be less than the cost of Public Works establishments recorded against the works. Subject to this proviso, the ultimate division of the outlay upon the famine works, between "Famine Relief" and "Public Works," is left entirely to the discretion of the Public Works Department. It is important that the distribution should be made with the least possible delay.

9. In order that there may be evidence that relief works are planned and supervised with due regard to their primary objects, the expenditure upon them must be classified in the accounts of the Public Works Department as follows:—

(1.) For materials.
(2.) For labour paid at the rates fixed by the Government for unskilled labour upon relief works.
(3.) For labour paid for whatever reasons, at any higher rates, divided into—
  (*a.*) Skilled labour,
  (*b.*) Supervision of labour, skilled or unskilled.

10. As an exception to the general rule recited in paragraph 5, the Governor-General in Council is pleased to authorise the transfer from "Public Works," "Ordinary," or "Extraordinary," as the case may be, to the head of

"Famine Relief," of any expenditure in excess of normal rates, in consequence of the employment for relief purposes upon works other than relief works, of unskilled and unprofitable labour. The amount to be thus transferred in respect to each work must be determined at the discretion of the Public Works Department, and every effort must be made to carry out the transfer in the accounts of the year in which the expenditure occurs, and, by deduction of the unprofitable outlay from the expenditure upon the works, or by some other accounting device which will prevent the appearance of the charge twice in the finance and revenue accounts as finally settled. **XLIV—continued.**

11. The object of this exception is that the cost of public works, as recorded in the finance and revenue accounts, shall not be unduly exaggerated, and the cost of "Famine Relief" unduly diminished. It is moreover, essential that no expenditure incurred for relief purposes should be recorded under the head of "Extraordinary Public Works."

12. The ordinary rule which forbids interdepartmental transfers in the accounts is based upon sound reasons, viz:—

(1.) That the finance and revenue accounts are not, and cannot be, so constructed as to exhibit the entire cost of any service, which can only be ascertained by abstracting into a separate account the expenditure on the service under each head;

(2.) That the transfer of expenditure incurred upon a service, as, for example, in times of famine, for compensation on account of dearness of food or for extra police or medical arrangements, to any other head of account, though it may make this head somewhat more complete, injures the integrity of the other; and

(3.) That such transfers cause confusion and trouble in the accounts and obscure their phenomena as a whole.

12(*a*). These considerations do not forbid the transfer "to Famine Relief" of the excess expenditure for relief purposes on public works.

XLIV— continued.

13. A complete statement of the entire expenditure and estimated loss of revenue entailed upon the State by each famine in each province, together with any sets-off, should however be compiled, under the orders of the Comptroller-General, apart from the finance and revenue accounts.

14. This statement should show separately the expenditure, loss of income or revenue, and sets-off, under the categories of—

Local,
Provincial, and
Imperial;

and should include all heads of account, military and civil. The authority for any estimates which enter into the statement, as for instance, of the loss of revenue under each head, or the gain of net revenue from the State and Guaranteed Railways, should be fully explained.

Re-affirming the principle that for the relief of distress, the Imperial Government should intervene only when provincial, district, municipal and local resources are all exhausted (This principle has been modified, as will be seen further on)

15. It is an accepted principle that, for the relief of distress arising from famine, municipal and local resources should, so far as they can legally be applied to the purpose, be first exhausted; that when these are exhausted, and only then, district resources should be employed; that when district resources are exhausted, resort should be had to provincial resources; and that the Imperial Government should intervene only when provincial, district, and municipal resources are all exhausted.

16. If, in any case, under the operation of the rules in this Resolution, a famine ends without exhausting municipal, district, or provincial resources, they should, so far as the law allows, and as is thought in each case expedient, be required to contribute towards the relief of the Imperial treasury from the residual burden falling upon it.

Provincial and Local Funds guaranteed against insolvency, at the end of a famine.

17. On the other hand, the Imperial Government undertakes to guarantee Provincial and Local Funds against insolvency, and to make such a grant under the head of "Famine Relief" as will enable the Provincial Government, at the end of a famine, to resume with efficiency the ordinary administration. At the end of the Bengal Famine of 1874, accounts were so adjusted between the Imperial Government and the Government of Bengal as to leave an aggregate net balance of five lakhs of rupees at credit of the Provincial Funds and Local Funds at the disposal of the

Government of Bengal for provincial purposes: an analogous net balance of six lakhs of rupees has been promised to the Government of Bombay at the end of the present famine. It is a duty specially incumbent upon the Provincial Government so to husband and economise its resources of all kinds in times of famine, as to reduce to a minimum the contributions which may thus fall upon the Imperial Government. **XLIV**—concluded.

No. 1131, dated Simla, the 27th June 1878. **XLV.**

RESOLUTION—By the Government of India, Financial Dept.

READ again the following:—

Accounts proceedings, March 1878, Nos. 59 and 60.
Ditto, April 1877, No. 38.
Ditto, Resolution No. 2531, dated the 11th December 1877.

DURING the years 1871-72 to 1876-77 the only classified entries in the Imperial estimates and accounts were those relating to the reserved Imperial revenue and expenditure. The revenue and expenditure of the Provincial Governments were not classified in those estimates and accounts, but represented by a single consolidated net entry under the unclassified head "Allotments for Provincial Services."

2. In 1877-78 this method was abandoned, and the whole public revenue and expenditure is now classified and recorded without any regard to the several and mutual responsibilities of the Imperial and local Governments, which are otherwise accounted for.

3. Under the first plan, the classified heads of the Imperial account were reserved for purely Imperial purposes, and no Provincial revenue or expenditure was admitted thereto. In accordance with this principle, the local Governments were forbidden to record under the head of "Famine Relief" any moderate expenditure which might fall upon Provincial revenues for the relief of distress among the people arising from calamities of season, such as drought or flood. Before the head of "Famine Relief" was opened, such expenditure was recorded under the head "Miscellaneous," sub-head "Miscellaneous and Unforeseen Charges."

4. But now that it has been found possible to re-introduce a complete classification of the accounts, it seems to the Government of India that it will be preferable to record all such Provincial expenditure under the appropriate head of "31, Famine Relief"—Provincial section.

XLV— concluded.

Prescribing in supersession of previous orders that all expenditure for the relief of distress whether incurred from Provincial or Imperial Funds should be recorded under "31 Famine Relief."

5. In future therefore, all expenditure for the relief of distress among the people, whether due to drought or flood, or other calamity, will be recorded under "31, Famine Relief," and not under "30, Miscellaneous."

6. The object of these orders is only to promote a correct classification of the public accounts, and not to make any change in the several or mutual responsibilities of the Imperial and Provincial Governments as regards this class of expenditure. The Provincial Governments will continue to be responsible for only so much of such expenditure as would have been originally recorded under "30, Miscellaneous," sub-head "Miscellaneous and Unforeseen Charges."

The accounts of expenditure upon Famine Works to continue to be kept on the principles prescribed in Financial Resolution No. 2531, dated 11th December 1877.

7. Nor are these orders intended to modify those contained in Resolution No. 2531, dated 11th December 1877, which prescribe the principles on which the accounts of the public expenditure for famine relief will be kept. That Resolution will only so far be superseded as it forbad the use of the head of "31, Famine Relief," for the record of any expenditure except that incurred by the Imperial Government, upon occasion of a great and well-defined famine.

XLVI.

No. 3135, dated Simla, the 3rd October 1878.

RESOLUTION—By the Government of India, Financial Dept.

READ again—

Resolutions (1) Nos. 2531, dated 11th December 1877, and (2) 1131, dated 27th June 1878.

Read—

(3) Note by the Accountant-General, Public Works Department, No. 311G, dated 27th June 1878, asking for instructions upon certain points connected with the earlier of these Resolutions; and (4) a memorandum from the Deputy Secretary in the Public Works Department, making a certain enquiry regarding the second of these Resolutions.

Explaining the Resolutions No. 2531, dated 11th December 1877, and No. 1131, dated 27th June 1878.

IN continuation and explanation of the two Resolutions now read again, and with reference to the questions raised by the Accountant-General and Deputy Secretary in the Public Works Department, the Governor-General in Council is pleased to pass the following orders.

XLVI—continued.

2. By the Resolution No. 2531, dated 11th December 1877, provision was made for the record, under a Suspense Head in the accounts of the Public Works Department, of all expenditure upon works undertaken solely for the relief of the people from distress due to recognised famine. This Suspense Head was in due time to be cleared by the transfer of the real value of the work done, reckoned at ordinary rates, to the head of "Public Works Ordinary" or "Productive Public Works," as the case might be, and of the residue to the head of "Famine Relief."

3. Under that Resolution, until the 27th June 1878 the head of "Famine Relief" was reserved exclusively for the record of Imperial expenditure upon measures taken for the relief of the distress consequent upon famine, and could be opened only upon the occasion of a "Famine," formally so recognised by the Governor-General in Council.

4. By the Resolution No. 1131, dated 27th June 1878, this restriction was so far withdrawn, that local Governments were authorised and required to record at all times, under the head of "Famine Relief," and not under any other head, all expenditure incurred from Provincial Resources for the relief of popular distress, however caused.

Provincial, like Imperial expenditure upon relief works, to be first recorded under a Suspense Head in the Public Works accounts. The Suspense Head to be cleared by the transfer of the real value of the work done to "Public Works Ordinary," and of the residue to "Famine Relief."

5. Such provincial expenditure upon Public Works undertaken solely for the relief of the people from distress should be first recorded in the accounts of the Public Works Department under a Suspense Head, in like manner as sanctioned Imperial expenditure is recorded in the manner recited in paragraph 2; and, as in that case, so in this, the Suspense Head should be cleared by the transfer of the true value of the work done to "Public Works Ordinary," and of the residue to "Famine Relief."

6. The prohibition of the use of the head of "Famine Relief," except upon the occurrence of a famine formally recognised as such by the Governor-General in Council, continues to apply in full force to all Imperial expenditure. Provincial expenditure only may, by the Resolution No. 1131, dated 27th June 1878, be recorded under the head of "Famine Relief" at all times.

Employment of pauper labour upon Productive Public Works in times of famine or other distress not prohibited

7. The sentence quoted by the Accountant-General, Public Works Department, from the 11th paragraph of the Resolution No. 2531, dated 11th December 1877, was not intended to prohibit the use upon Productive Public Works

XLVI—continued.

of the labour of the people for whom it may be necessary to find employment in times of famine or other distress; but only to lay stress upon the principle that it is especially important that nothing more than the true value of work done, and no part of the extra cost due to the employment of pauper labour, should be recorded in the accounts as part of the cost of any "Productive Public Work."

Relief works may be undertaken without sanctioned estimates, but the Government of India must in such cases be kept informed.

8. When a famine is formally recognised, and it becomes necessary to find employment for large bodies of the people upon public works, the ordinary rules which forbid the construction of works, or the expenditure of money, otherwise than in accordance with sanctioned estimates, must in the nature of the case be often suspended. But in such cases it is the duty of Local Governments to keep the Government of India, in the Famine Department, informed of the principal works upon which it is employing labour for relief purposes, and particularly of those on which the ordinary rules as to sanction have not been complied with; and information thus received should be promptly communicated to the Public Works Department.

Each local Government should have a duly sanctioned programme of relief works always ready.

9. It has been decided that, so far as may be found possible, each local Government should have a duly sanctioned programme of works always ready for execution by labour which it may become suddenly necessary to employ for relief purposes; and as a rule such labour should be employed in the first instance upon projects which have been thus previously approved and sanctioned, other works being only put in hand if such sanctioned projects do not suffice. Attention will doubtless be given in the Public Works Department to the preparation of a sufficiency of such schemes throughout the country, so far as this can be accomplished without undue expenditure.

10. Paragraphs 8 and 9 apply mainly to the case of a famine formally recognized by the Government of India, and involving Imperial expenditure under the head of "Famine Relief." But the principles of these paragraphs may be applied to the case of provincial expenditure for the relief of distress such as forms the subject of Resolution No. 1131, dated 27th June 1878, not recognized by the Government of India as famine.

11. Local Governments should, however, always be careful not in any case to undertake work or expenditure which has not been regularly sanctioned, more than the

emergency renders absolutely necessary, and to remedy the want of sanction as quickly as possible. **XLVI—concluded.**

12. Whenever a famine, formally recognized as such, occurs, it is the first duty of the local Government whose jurisdiction is affected to regulate the ordinary expenditure in every branch of the administration, whether Imperial, Provincial, Local, or Municipal, so far as the influence and authority of the local Government reach, with a view to making the needful provision for the supply of relief in the most economical and complete manner possible; and works not suited for affording relief should be suspended where practicable. **Resources of all kinds to be economised in times of distress, and works not suited for relief purposes stopped, where practicable.**

13. As said in the 17th paragraph of the Resolution No. 2531, dated 11th December, it is specially incumbent upon a Provincial Government, under such circumstances, so to husband and economise its resources of all kinds as to reduce to a minimum the residual charge upon the Imperial Treasury. This obligation applies with particular force to expenditure on Ordinary Public Works, the whole of which, that is not either absolutely necessary or properly suited to afford relief work, should be stopped at once, so as to provide funds for work that is required for relief purposes and suited to them. The local Government, in the Public Works Department, should always give prompt attention to this point; and the Accountant-General and Examiners of Public Works Accounts should lose no time in reminding a local Government of its obligations in this respect.

Extract from the Financial Statement for 1881-82, *dated the* 25*th March* 1881. **XLVII.**

PARA. 54. *Famine Insurance.*—On one point, however, it has been decided to make some changes. In the debate in the Legislative Council of February 9th, 1878, Sir John Strachey explained that in every ten years the Government of India would probably have to spend £15,000,000 on the relief of famine. If, he added, we provide "a *bonâ fide* surplus of £1,500,000 a year for ten years, we shall have obtained our £15,000,000."

55. Some difference of opinion has existed as to whether the policy proclaimed in 1878 has been carried out effectually or not, but the policy itself met with general approval at the time of its enunciation, and has not since **Reaffirming the policy of providing £1,500,000 a year as an insurance against famine.**

XLVII—continued.

been impugned. Speaking on behalf of the Government of India, I reaffirm that policy; but it is proposed to make certain modifications in the procedure in connection with it.

This sum of £1,500,000 to be included in future in the expenditure of the year

56. Up to the present time the sum of £1,500,000 has not been included in the expenditure of the year. It is now proposed to treat it as expenditure.

Explaining the manner in which the expenditure of £1,500,000 will be distributed.

57. *Distribution of money to be applied to Famine Insurance.*—It is necessary to explain the manner in which, under instructions from the late Secretary of State, the expenditure of this sum of £1,500,000 is distributed. Lord Cranbrook directed that £750,000 was for the present to be applied to the reduction of debt in England, and that the remainder was to be appropriated, at the discretion of the Government of India, to "the extinction of debt, to the relief of famine, or to the construction of protective works not necessarily directly remunerative, but obviously protective in the sense of guarding against a probable future outlay in the relief of the population."

* * * * * * *

68. The present policy of the Government, therefore, is to provide £1,500,000 a year as an insurance against famine. The first use to which this money will be applied is the relief of famine. Should no expenditure under this head be required, £750,000 will be applied to the construction of Protective Public Works. The remainder (£750,000) will, in the event of there being a surplus of receipts over expenditure, be transferred to the Commissioners for the reduction of debt. This, I say, is the present policy of the Government. Like any other policy it is liable to change; but the particular point on which I wish to lay some stress is that the amount to be provided as an insurance against famine is only so far dependent upon the receipts from the License Tax and the Public Works Cesses that those receipts go to swell the general revenue, and by so much facilitate the execution of the policy in question. The policy of the Government is, in fact, to apply annually a specified sum from the general revenue in order to provide an insurance against famine. There is no special connection between the amount so provided and the amount received from the License Tax or the Public Works Cesses. Those taxes have never yielded so large a sum as £1,500,000 in any one year.

69. *Basis on which estimates are framed.*—It is to be borne in mind that up to the present time the policy of the Government has been to provide a surplus of £2,000,000, of which £1,500,000 was for famine insurance, and £500,000 was for any extraordinary contingencies that might arise. I have explained that the £1,500,000 for famine insurance will henceforth be treated as expenditure. This sum is entered under *Famine Relief, Protective Works, and Commissioners for reduction of debt*, in the estimates for the year. The surplus which we wish to attain is thus reduced to £500,000.

XLVII—concluded.

The sum of £1,500,000 to be entered under "Famine Relief, Protective Works, and Commissioners for reduction of debt."

Extract from the Financial Resolution of the Government of India, No. 3353, dated the 30th September 1881.

XLVIII.

PARA. 5. Another important change which is contemplated requires somewhat fuller explanation. In the Resolution No. 3334, dated 14th December 1870, the Imperial Government, speaking broadly, announced a policy of divesting itself of both responsibility and control within certain limits, but a reservation was made (paragraph 17) of power to modify the resources granted, in the event of "some fiscal misfortune, such as heavy loss in the opium revenue, or national disaster, such as war or severe famine." On two occasions already within a decade this reservation has been acted on. On the occasion of the great famine of 1876-77 in Western and Southern India, the Supreme Government necessarily came to the rescue of the Local Governments in meeting the enormous outlay involved; but it directed that all Provincial and Local resources must be exhausted before Imperial aid could be supplied. This decision was unexceptionable in the sense in which it was meant; but it may have led to developments which were not altogether intended. The second occasion on which the reservation has been acted on is that of the Afghan war. The Local Governments were called upon during the years 1879-80 and 1880-81 to contribute £670,000 from the resources made their own by the decentralisation policy, and in the Financial Statement of 1880-81 (paragraph 170 the hope was expressed that they had been able "to afford this timely help to the general finances with little apparent difficulty." The circumstances of the time were without doubt peculiar, and the strain upon the finances was undoubtedly severe. But the sudden

XLVIII—continued.

suspension of improvements in progress, the starvation of public works, and the discouragement of care and economy by requiring a surrender of their results could not in themselves be otherwise than prejudicial.

Local Governments must look for no special aid from the Imperial Government except in the case of severe famine (and then only within certain limits); and the Imperial Government will make no demand on them except in the case of disaster so abnormal as to exhaust the Imperial reserves and resources.

6. In modification therefore of the reservation hitherto in force, it is proposed to declare, on the one hand, that the Local Governments must look for no special aid from the Imperial Government except in the case of severe famine (and then only within limits to which allusion will presently be made); and on the other, that the Imperial Government will make no demand on them except in the case of disaster so abnormal as to exhaust the Imperial reserves and resources, and to necessitate a suspension of the entire machinery of public improvement throughout the Empire.

7. The question of relief to be afforded on the occasion of severe famine presents considerable difficulties. It has been suggested that each Local Government should be held responsible for a fixed share of any expenditure incurred on famine relief, and that exceptional cases may be left for exceptional treatment at the time. To this course the objections are that any fixed share of the expenditure will always be either too much or too little, and that a time of actual famine is a bad time for driving bargains and defining responsibilities. It is obvious that the Provincial Government ought to have a direct interest in keeping down relief expenditure, and equally so that a Provincial Government, emerging from a great famine after exhausting all its resources, cannot be saddled with a further liability for interest on Imperial famine expenditure, and will even be crippled in its ordinary administration for many years to come. The real question seems to be, how far should Provincial resources be depleted before Imperial aid steps in?

Defining the limits within which Provincial responsibility will be enforced.

8. Assuming that Provincial responsibility ought to be enforced within reasonable limits, His Excellency in Council considers that those limits must bear relation to the Provincial resources, not to the relief expenditure. Provincial resources consist of (1) current income during the period of distress; (2) accumulated savings of past years in excess of the ordinary "working balance;" and (3) the margin of provincialised income over expenditure in normal years, which is the Provincial Government's "profit on the contract" available for public improvements. Upon these provincial responsibility will be enforced in proportion to their nature.

The first should be entirely exhausted, every avoidable expense in every department being retrenched, and the Public Works grants being applied to famine works to the very utmost possible. The second should be drawn upon up to two-thirds only of their total amount. The third will in the first place be made liable to whatever extent may be necessary, in addition to the ordinary Public Works grants, for the completion of works begun as relief works under the pressure of famine. In cases where no such need for completion remains after a famine, this third resource will be chargeable up to one-fourth at most for payment of interest of Imperial loans (if any) which have been raised to meet the excess cost of that famine in the Province. **XLVIII—concluded.**

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Extract from the Financial Statement for 1882-83, *dated the 8th March* 1882. **XLIX.**

PARA. 41. *Relations between the Imperial and Provincial Governments in respect to War and Famine.*—In the second place, the relations of the Imperial and Provincial Governments in respect to war and famine have been defined. Under the existing agreements, a Local Government is not entitled to any assistance from the Imperial Government until the whole of its resources are exhausted. For the future the Local Governments must look for no special aid from the Imperial Government except in the case of severe famine, and then only within certain limits, which are defined in the 8th paragraph of the Resolution of September 30th, 1881. Those limits are fixed with reference to the resources of each province, and not to the amount expended in famine relief. Aid will be afforded at an earlier point than before. On the other hand, the Government of India has declared that it will make no demand on the Provincial Governments except in the case of disaster so abnormal as to exhaust the Imperial reserves and resources, and to necessitate the suspension of the entire machinery of public improvement throughout the empire. A special and permanent annual allotment of £1,500,000 for famine relief and insurance having been made in the Imperial Budget, the Governments of the North-Western Provinces, the Punjab, and the Central Provinces are henceforth relieved from any obligations which may have been imposed upon them of setting aside any special revenues with a view to the

The limits of Provincial responsibility are fixed with reference to the resources of each province, and not to the amount expended in famine relief.

A special and permanent annual allotment of £1,500,000 for Famine Relief and Insurance has been made in the Imperial Budget.

XLIX—continued.

Local Governments required to keep in hand a moderate reserve, over and above a mere working balance, of sufficient amount to meet scarcity and distress, but not to accumulate any great Provincial reserve funds for the demands of severe famine.

relief and prevention of famine in their respective territories. All Local Governments will indeed find it necessary to keep in hand a moderate reserve, over and above a mere working balance, of sufficient amount to meet scarcity and distress not indispensably amounting to severe famine, or other temporary exigencies. But it will no longer be necessary for them to accumulate any great Provincial reserve funds out of which to meet the demands of severe famine. Where any such reserve funds have been accumulated, they will be free to be employed in works of a productive or a protective character.

Where such funds have been accumulated, they may be employed in works of a productive or a protective character.

* * * * *

Famine Relief and Insurance divided into three sub-heads, viz., Relief, Protective Works, and Reduction of Debt.

89. *Famine Relief and Insurance.*—It will be observed that the grant of £1,500,000 for Famine Relief and Insurance is divided into three sub-heads, viz., Relief, Protective Works, and Reduction of Debt. There has been an expenditure of £23,000 on Famine Relief during the current year in Madras, caused by a remission of some of the advances given to cultivators and others in 1876.

90. *Protective Works.*—According to the regular estimate, the expenditure during the current year on Protective Works will be as follows:—

	£	£
North-Western Provinces—		
Betwa canal	.....	25,000
Bombay—		
Nira and Gokak canals and Maswad tank... ...	82,000	
Southern Mahratta Railway	315,000	
		397,000
Punjab—		
Swat canal	40,000	
Rewari-Ferozepore Railway	207,700	
		247,700
Madras –		
Surveys	.....	6,000
Expenditure in England ...	.....	51,300
Total ...		727,000

XLIX—continued.

91. *Reduction of Debt.*—The annual grant (£750,000) to be applied to the reduction of debt, together with a portion (£90,000) of the same grant for 1882-83, will be devoted to paying off the 5 per cent. loan of 1867 (£603,000) and the 4 per cent. loans of 1871 (£203,100), of 1824-25 (£31,600), and of 1828-29 (£5,800). Various suggestions have from time to time been made as to the best method of spending this money for the future. I need not at present discuss those suggestions. They will without doubt be carefully considered by the Commissioners appointed under the Government Resolution published in the *Gazette of India* of 4th February 1882. It was, in fact, with a view to the full consideration by an independent body of the various alternatives which are possible, that the Commissioners were nominated; and the Resolution appointing them was drafted with a view to embracing all the different suggestions which have from time to time been made. We should have been glad if we could have given somewhat greater powers to the Commissioners, but it was held that we were precluded by Act of Parliament from doing so. The Commission will be a consultative body. The final responsibility for action will rest with the Government. I trust, however, that the difference will be more nominal than real. The Government will, without doubt, always be disposed to follow the advice of the Commissioners. I wish on behalf of the Government to thank the gentlemen (Mr. J. Keswick and the Hon'ble Durga Churn Laha) who have consented to act as Commissioners. It is, I venture to think, desirable to take any opportunity of this sort which may arise to associate the leading members of the mercantile community with the work of Government in India. A good deal of misapprehension as to the views and intentions of Government not unfrequently arises from the want of free communication between the official and unofficial classes.

Drawing renewed attention to the leading feature of the Famine Insurance policy.

92. *Famine Insurance Policy.*—I take the present opportunity of drawing renewed attention to the leading feature of the Famine Insurance policy. Whether the method which has now been adopted for disposing of the annual grant of £1,500,000 is the best of which the circumstances admit, may be a matter of opinion. There can, however, be no doubt whatever that by the annual expenditure of £750,000 on works which will to some extent prevent famine, and which will also, it may reasonably be hoped, render the

XLIX— concluded.

relief of famine when it occurs less costly, and by the expenditure of a further sum of £750,000 on reducing debt in some form or another, we are, in the strictest sense of the word, insured against famine to the extent of £1,500,000 a year. That sum the Famine Commissioners, after a very full consideration of the whole subject, named as the "amount not likely to be exceeded as the average charge for famine relief over a series of years." Having made provision for this sum of money to be expended annually, the Government considers that all that is necessary has been done with a view to placing India in a sound financial position to meet future famines. I mention this again, although it has frequently been explained before, because, should unfortunately a famine occur, with the result that any anticipated surplus of the year is turned into a deficit, it may not improbably be urged by those who take a very gloomy view of the financial position of India as a proof that their fears have been verified. I venture to think that no such inference would be justified. We do not profess to finance for a surplus in a year of famine. When a serious famine occurs, it is inevitable that the expenditure of the year should be greater than the revenue. We anticipate that, under the circumstances assumed, this will be the case, and we consider that all the requirements of sound finance have been met, if in ordinary years a sum of £1,500,000 has been expended, partly as an insurance against the loss which must of necessity accrue when famine occurs, and partly on works which will either tend to prevent the occurrence of famine, or will at all events diminish the cost of relieving it when it occurs.

ROUTINE FOR THE EXECUTION BY THE P. W. DEPARTMENT OF WORKS OUTSIDE THAT DEPARTMENT'S ESTIMATES. L.

Memo. No. 219B, dated Fort William, the 3rd February 1880.

From—T. H WICKES, Esq., Offg. Asst. Secy. to the Govt. of Bengal, Public Works Department,

To—The Secy. to the Govt. of Bengal, Financial Dept.

WITH reference to the request made in the Financial Department's letter No. 156 of 22nd ultimo, the undersigned has the honour to forward a printed copy of the orders of the Government of India in the Public Works Department, No. 358AG of 13th April 1876, together with a printed copy of the revised section of the new edition of the Public Works Code, relating to budget credits and appropriation, and to refer the Financial Department to the paragraphs marked A and B in pencil, at pages 3 and 10 of the revised section of the Code, from which it will be seen that no appropriation can be made from the anticipated savings in the Public Works grant without a corresponding decrease of the appropriation made to some other work.

No appropriation allowed from the anticipated savings in the Public Works grant without a corresponding decrease of the appropriation made to some other work.

* * * * * *

Nos. 356—71AG, dated Fort William, the 13th April 1876.

RESOLUTION—By the Government of India, Public Works Department.

Rules relating to budget credits and appropriation of the Buildings and Roads Branch. LI.

READ—

Revised section of the new edition of the Code relating to budget credits and appropriation of the buildings and roads branch.

The Governor-General in Council observes that the rules contained in this section of the Code are merely a codification of the existing orders and practice, and that it is desirable that they should be accepted provisionally. In this view the Accountant-General, Public Works Department, is authorized to give effect to the revised rules and forms commencing with the accounts of 1876-77.

LI—concld.

All additional grants for Public Works to be reported to the Government of India.

2. One point provided for in these rules is that a report should be made to the Government of India of additional grants made by local Governments for Provincial Services. It is necessary that a report of all such grants, with details to show the particular works to which the grants have been appropriated, should be furnished to the Government of India, and it is requested that this may be done for the future.

LII.

Extract from the revised section of the Public Works Code relating to Budget Credits and Appropriations.

Re-appropriations may be made so long as there is a corresponding decrease of the appropriation made to some other work

Entries in register must balance.

IT is particularly to be observed that, except in the case of an addition to, or reduction in, the total budget grant of the year, no appropriation can be made to any work or head of service without a corresponding decrease of the appropriation made to some other work or head of service, and that consequently the sum of the appropriations made to the different heads of service will always be equal to the total budget grant for the time being.

* * * * * *

Appropriations when held unauthorized

Unauthorized appropriation for provincial services.

iii. Appropriations, the aggregate of which is in excess of the total grant, or appropriations made in expectation of short outlay in the grant being sufficient to cover excess.

LIII.

No. 356, dated Calcutta, the 18th February 1880.

From—The Asst. Secy. to the Govt. of Bengal, Finl. Dept.,
To—The Secy. to the Govt. of Bengal, Public Works Dept.

Directing the Public Works Department to reserve in its annual estimate a certain unallotted sum for unforeseen charges.

WITH reference to the correspondence ending with your memorandum No. 219B, dated the 3rd instant, I am directed to say that, if the ruling in question, under which no appropriation can be made from the anticipated savings in the Public Works grant without a corresponding decrease of the appropriation made to some other work, is to be strictly adhered to, it will be necessary for the Public Works Department to reserve in its estimate a certain unallotted sum for unforeseen works. The Lieutenant-Governor desires that this may be borne in mind when next the Budget arrangements are under consideration.

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No. 1410AC, dated Calcutta, the 13th March 1880. **LIV.**

From—J. E. COOKE, Esq., Deputy Accountant-General, Bengal,

To—The Secretary to the Government of Bengal, Financial Department.

Routine for the carrying out by a Public Works Officer of a work at the request of a Civil Officer.

'YOU will much oblige me if you will allow me to place on record, for the information of the several branches of the Secretariat, the routine followed in carrying out public works on civil buildings.

2. A work carried out by a Public Works officer at the request of a civil officer may be—

(*a*)—A charge against the Government.

(*b*)—A charge against a Local Fund, incorporated or excluded.

(*c*)—A charge against a Municipal Fund or some other body, which is financially independent of Government.

3. The corresponding routine is as follows:—

Routine when the charge is against the Government.

(*a*)—The work must be carried out entirely under Public Works rules and charged against the Public Works estimates. No transfer of money may be made to the Department of Public Works, nor may that Department in any way charge the work to the Civil Department. The Government may of course, if it thinks it necessary, direct an addition to the Public Works grant and a deduction from the civil estimates to provide funds for the work, and in this last case it is necessary to notify me in order that I may note the reduction ordered in the civil estimates; but this transfer involves no transfer in the accounts.

This case includes that of net-grant schools, which therefore are not allowed to make payments for such works, although the Director should charge the amount in the *pro formâ* accounts which he keeps.

Routine when the charge is against a Local Fund, incorporated or excluded.

(*b*)—The work is to be carried out as a Public Works departmental work, funds being supplied by credit orders as for a departmental work. But the Examiner, Public Works Accounts,

LIV—concluded.

instead of charging the work against the Public Works grants, debits it to me in order that I may charge it to the Local Fund concerned.

This case includes Port Fund, Hospital Dues Fund, Nizamut Stipend Fund (notwithstanding the practical abolition of this last), Pilgrim Lodging-house Fund.

Routine when the charge is against a body financially independent of Government.

(*c*)—The Public Works Department may require the money to be paid down before they begin the work, and will pay for it out of the money they thus receive.

This case includes petty Trust Funds under Rs. 1,000 which are kept as deposit accounts upon my books.

PUBLIC WORKS ON BEHALF OF BORROWING BODIES—ROUTINE FOR EXECUTION OF— LV.

No. 4179, dated Simla, the 12th November 1881.

RESOLUTION—By the Government of India, Department of Finance and Commerce.

WHEN loans are made by the Government of India to Municipal bodies for the execution of works which are carried out on behalf of the borrowing body under departmental control, the funds for the work are advanced by the Local Public Works Department, the advances being debited to the total amount of the loan.

2. The disbursing officer of the Public Works Department draws the money from the treasury on an order from the officer in charge of the Local Civil Office of Account. The rules under which the system is worked are contained in Chapter 67, paragraph 8 of the Civil Account Code, and are as follows:—

"In cases where the loan expenditure is, under special orders, to be conducted and controlled by the Public Works Department, debits will be communicated by the Examiner in the monthly account current, for adjustment to debit of the particular loan out of which the expenditure is incurred by transfer credit to the Public Works Department. The amount will be charged in the subsidiary register above prescribed, and will bear interest as though it had been advanced on the last day of the month in the account current of which it appears; notice of each charge should be sent without delay to the indebted body.

"The loans under the above arrangements will stand on the civil books; the calculation and adjustment of interest on them, together with their recovery, devolve on the Civil Accountant-General, and the action of the Examiner is confined to an audit of the outlay incurred, and to seeing that the total expenditure is not in excess of the sum granted."

3. It has been found from some cases of recent occurance that the rule is not a sufficient check upon the disbursement of more than the actual amount of the loan. The account of the loan money, that is, the noting of the disbursements against the sanctioned amount, is always on the books of the Civil Office of Account. But a loan is sometimes partly expended directly and partly through the

LV—contd. Public Works Department. Consequently the Public Works Department may be ignorant of the available amount of loan money, while the Civil Office of Account has been sometimes reluctant to refuse compliance with a demand made on the authority of the Local Administration for money to be expended on works in progress, such refusal meaning the stoppage of the works, even though it knew that the sums asked for were in excess of the sanctioned loan.

Prescribing revised rules for expenditure from loan funds for the execution of works carried out on behalf of the borrowing body under Departmental control

4. To prevent the recurrence of irregularities such as those which have recently occurred in the issue of loan funds, the Governor-General in Council is pleased to lay down the following rules for future guidance :—

I.—Every loan to a Municipality, Port Trust, Native State or other Corporation will be recorded in the books of the Civil Accountant-General concerned, and no part of it may be issued otherwise than under his sanction.

II.—No Public Department or Public Officer may make any expenditure or incur any liabilities against such loan funds, unless he has first obtained in writing a statement from the Accountant-General that the amount is available out of the loan funds, and has been placed in a separate account by the Accountant-General, so as to be available for the proposed expenditure.

III.—The Accountant General, before setting apart any part of the loan under the last rule, will ascertain that the Municipality or other body who are responsible for the loan have assented to the arrangement, or that it is distinctly stated by Government among the terms of the loan.

IV.—Funds spent by any Public Department or Officer under Rule II shall reckon for interest as if they were drawn on the last day of the month in the accounts of which they are included by the spending Department or Officer.

LV—concld.

5. The Governor-General in Council also desires that the Local Governments will watch the progress of outlay on all works constructed by departmental agency out of such loans, and bring to notice any tendency to an excess, and check it in due time as far as possible. If it is found that outlay in excess of the sanctioned loan is inevitable, the Local Governments should promptly review the whole financial situation, and, if necessary, apply for an increase to the loan in good time to admit of consideration by the Government of India whether the loan shall be increased or not.

The progress of outlay on all such works to be watched by the Local Government.

If outlay in excess of loan is inevitable, the Local Government should apply in good time for an increase.

LVI. PRODUCTIVE PUBLIC WORKS (PROVINCIAL)—RULES FOR RAISING LOANS FOR, AND CARRYING OUT WORKS WITH BORROWED FUNDS.

No. 1871, dated Fort William, the 15th March 1878.

From—C. BERNARD, Esq., Additional Secy. to the Govt. of India, Financial Department,

To—The Secretary to the Govt. of Bengal, Financial Dept.

WITH reference to the papers noted in the margin, I am directed to forward copy of a Resolution (with form of notification and form of loan debenture), prescribing the procedure under which local Governments may raise provincial loans for the construction of productive public works. The Bengal Government is authorized to take action under these orders, pending receipt of the confirmation of Her Majesty's Secretary of State to the rules.

Bengal Government (Railway) letter No. 013R, dated 11th January 1878, regarding the terms on which local railway loans might be raised

Government of India, Public Works Department (Railway), letter to the Bengal Government, No 663R, dated 13th February 1878, regarding the Patna and Gya Railway (paragraph 3 of letter)

2. In the course of the coming week orders will be issued from the Public Works Department of the Government of India, laying down rules under which projects for provincial productive public works can be undertaken by local Governments. Any such project will have to be submitted to, and approved by, the Government of India, under Rule I of the present orders, before any provincial debenture loan is opened.

LVII.

No. 1868, dated Fort William, the 15th March 1878.

RESOLUTION—By the Government of India, Financial Dept.

READ again the following Proceedings relating to the construction of the Mathurá and Hatrás and Gházipur and Dildárnagar Railways, in part, by means of Local Loans:—

In the Public Works Department—State Railways No. 13—24 for March 1874.

In the Financial Department—Abstracts, October 1876, Nos. 93—103, and December 1876, No. 19.

LVII—continued.

Read—

Resolution No. 1072, dated 20th February 1878, paragraphs 6 and 7.

Letters from the Government of Bengal, in the Public Works Department, No. 006R., dated 12th December 1877, and No. 013R., dated 11th January 1878, enquiring upon what conditions the Government of Bengal is at liberty to raise local loans for Railways.

Dockets from the Public Works Department, Nos. 663R and 666R, dated 13th February, communicating orders issued in that Department to the Government of Bengal, regarding the construction of a light Railway between Patna and Gya, and to the Government of the North Western Provinces regarding the construction of a light Railway between Cawnpore and Farakhábád.

Rules and conditions under which Local Governments may raise Provincial Debenture Loans for the construction of Productive Public Works.

The Governor-General in Council deems it expedient now to prescribe, for general information and guidance, the following rules and conditions under which Provincial Debenture Loans may be raised by local Governments for works of material improvement, the interest on which loans will be paid from provincial resources:—

I.—No loan shall be raised by any local Government or Administration except with the sanction of the Government of India in the Financial Department, which sanction shall extend as well to the amount and conditions of the loan as to the purpose of material improvement for which it is raised.

II.—Notifications inviting tenders for Provincial Debenture Loans shall be in the form* annexed to these rules, or as nearly so as the circumstances permit.

III.—The rate of fixed yearly interest to be paid upon Provincial Debenture Loans will be determined by the Government of India from time to time. For the present, this rate shall be Four per centum: if, in any particular case, a loan cannot be raised at par at this rate, then, with the special sanction of the Governor-General in Council, subscriptions may be received at a discount which shall be charged off in the accounts at once, under the head of "Interest upon Funded and Unfunded Debt" (Provincial Section) and debited to Provincial Revenues.

IV.—The interest on Provincial Debenture Loans will be payable half-yearly, on dates of the calendar to be fixed

* Superseded by the form promulgated with Financial Resolution No. 2443, dated 25th August 1879. *Vide* pages 184 to 189 of this Selection.

LVII— continued.

by the local Government, at any principal treasury or branch of the Presidency Bank at which the Government account is kept, in or near the districts in which it is proposed to construct the work for which the loan is raised: provided that interest on Provincial Debenture Loans shall not be paid at the head offices of the Presidency Banks of Bengal and Bombay, or at any Government treasury within one hundred miles from either of the said head offices.

V.—Interest on Provincial Debenture Loans, together with the additional payments dependent on the surplus profits as hereinafter described, shall be recorded in the Imperial accounts under the head of "1, Interest on Funded and Unfunded Debt" (Provincial Section), all transactions relating to the capital of the loans themselves being recorded in the same accounts under the heads of Public Debt Incurred or Discharged.

VI.—Provincial Debenture Loans will be part of the registered Public Debt, and the debentures themselves part of the Public Securities of the State, the business connected with which is managed and transacted by the Presidency Banks under the agreements made with them. The Presidency Banks will be responsible, under their agreements, for the management of these debenture loans, and will be remunerated therefor in the same way as for the management of the rest of the registered Public Debt and Securities.

VII.—The local Government shall publish in the local Government Gazette, as soon after the close of the year as possible, a *pro formâ* account of the capital, showing how it has been supplied, the gross earnings, working expenses, and net revenue, for each successive year ending 31st March, of each work for the construction of which a Provincial Debenture Loan is raised. From the net revenue so calculated, interest as follows shall be deducted as a first charge.—

(1.) One year's interest payable upon the loan.

(2.) Four and a half* per centum upon the amount of capital supplied by the Government.

The surplus, if any, may be made available for rateable division between the Government and the Debenture-holders as hereinafter explained.

In other respects, the local Government shall prepare this account in the manner in use for the capital and

* Altered to 4 per cent., with effect from the commencement of the year 1881-82, under Resolution of the Government of India, Finance and Commerce Department, No 863, dated the 10th February 1882

revenue accounts of other State Canals or Railways, with any modifications of detail which it may, from time to time, deem necessary in order to make a true calculation of the profit or loss upon the work during the year. This account and the declaration of the amount of surplus shall be signed by a Secretary to the local Government and by the local Accountant-General. **LVII**—continued.

VIII.—No Debenture-holder shall have any property in any work constructed by means of a Provincial Debenture Loan, or be entitled to call for or examine any account or voucher, or challenge the construction of the account prescribed by Rule VII or any entry made therein or declaration promulgated thereupon by the local Government. It shall also be an essential condition of all loans that any addition to the work or to the machinery, rolling-stock or other appurtenances thereof which, in the opinion of the local Government is required to provide for the efficient use of the work, or to meet increased traffic, may be provided by additions to the capital at the sole discretion of the local Government.

IX.—The Local Government will be authorized to offer to holders of debentures in such provincial loans, besides the fixed interest due upon the debentures, such share of the surplus referred to in Rule VII as shall be stated in the notification inviting tenders for the loans. In general the part of the surplus offered for distribution (which might be one-half or other proportion) would be divided rateably between the Government and the Debenture-holders, the Government sharing in proportion to the capitals supplied by it, and each Debenture-holder according to the amount of his debenture. The part of the surplus due to Debenture-holders should be payable with the first instalment of fixed interest due on the debentures, after the publication in the local Gazette of the account prescribed by Rule VII.

X.—Debentures issued under these rules shall be in the form* hereto annexed, and shall be for Rs. 100 or any multiple thereof. The rules which govern the transfer, consolidation, division or renewal of promissory notes of the Government of India, and the transfer of the place of payment of interest thereon shall apply to debentures issued

* Superseded by the form promulgated with Financial Resolution No. 2143, dated the 25th August 1879. *Vide* pages 184 to 189 of this Selection.

LVII—concluded.

under these rules, except that these debentures shall not be enfaced for the payment of the interest thereon elsewhere than at the particular treasuries or branch banks named in them.

XI.—The local Government shall reserve the right of liquidating every Provincial Debenture Loan raised under these rules, or any part thereof, at any date not less than ten years from the date of the loan, on giving three calendar months' notice. In such case each Debenture-holder shall be entitled to receive either the amount named in his debenture, or at his option, such a sum as would, if it were invested at the date fixed for the discharge of the loan, in promissory notes of one of the Four per cent. Loans of the Government of India, yield interest equal to the average amount, including the fixed interest and share of surplus which has accrued due upon his debenture during the six half-years last preceding the date of the notice of discharge.

XII.—Provincial Debenture Loans may be raised in order to repay to the Imperial treasury or the local Government the cost of any work already constructed by means of funds supplied from the Imperial treasury, or, as the case may be, from provincial resources.

LVIII. *Rules relating to Provincial Productive Public Works carried out, partly or wholly, with borrowed funds.*

Rules relating to Provincial Productive Public Works carried out by Provincial Loans.

THE Viceroy and Governor-General in Council having resolved to extend, as soon as practicable, to all local Governments and Administrations the use and financial and administrative control of all productive public works, including irrigation works and railways, other than guaranteed railways, whether already constructed or hereafter projected in their several provinces, on their undertaking the financial responsibility for the same; the following rules providing for the control of such works are laid down for guidance, and it will be understood that in these rules, the term local Government includes a local Administration.

I.—Productive public works (under which name will henceforth be classed the works till now called extraordinary) are classified as "Imperial" and "Provincial"—Imperial, when the work is carried out under or for the Government of India, and the capital and interest are provided from

Imperial sources; Provincial, when the work is carried out under the local Government, and when the interest is paid from provincial funds, whether the capital is wholly provided from provincial resources, or supplemented by grants from the Imperial treasury, or by loans. LVIII—continued.

II.—The whole of the rules hitherto in force regarding the preparation of designs and estimates for extraordinary works, the sanction of expenditure upon them, the method of rendering the accounts, and so forth, will henceforth be applicable to all productive public works, excepting so far as they may be modified by any of the following rules, or by any other rules issued hereafter by proper authority.

III.—The duty of originating proposals for works considered necessary for the provinces under its administration will devolve on the local Government. The Government of India will reserve the following points for its special consideration and final orders when a complete project is submitted for sanction; but it will declare its views regarding them, so far as may be possible, at an earlier stage, if desired by the local Government; and, if occasion should arise, will suggest projects for consideration by the local Government:—

(1.) The general alignment and scope of the proposed work and its bearing upon other existing or projected works of a similar class.

(2.) The financial prospects of the work.

(3.) The general character or standard of the work in which, if a railway, are included the gauge and weight of rail.

(4.) The measures proposed for raising the capital locally and for meeting the interest thereon.

As respects the first point, the alignment of a railway should not compete injuriously with any previously existing line, State or Guaranteed. If not confined to the territories of the local Government, the views of the local Governments of adjacent British territories will be ascertained, and if foreign territory be traversed, this must be done under arrangements approved in the Foreign Department.

To admit of the second point being considered, the local Government will submit a statement of the traffic or income expected, and proofs of the probable commercial success of the undertaking.

LVIII— continued.

As to raising funds, the mode must not be objectionable in principle, or interfere with Imperial operations.

IV.—The cost of the preliminary operations of all provincial productive works will be met by the Provincial Government. In the case of schemes, the investigations for which are undertaken by the desire of the Supreme Government, the charges will (if it seems necessary) be met by an Imperial grant debitable under Ordinary; but in the case of all other schemes, the Provincial Government will find the funds, subject to the condition in the following rule.

V.—If a project which has been investigated by the Provincial Government be eventually sanctioned by the Government of India and the Secretary of State for execution as a provincial work (Rule I), the outlay from the commencement will be debited by transfer to "Productive Public Works," if the Provincial Government so desire, and added to the capital account of the work, and interest will be paid on it as well as on the outlay on actual construction.

VI.—In the preparation of all railway projects, the standard dimensions approved by the Government of India will be followed, and the type plans circulated by the Government of India will be adopted as far as practicable.

VII.—On the local Government reporting that a project is ready for inspection, the Government of India will depute a selected officer to examine the designs and estimates after a personal inspection of the locality if thought requisite. The officer so selected will report to the Government of India, giving a copy of his report to the local Government, which will then submit the project, after revision, to meet the modifications suggested by the officer in question, so far as they may be accepted; the object being that the Government of India shall receive a project which shall have already been approved by the officers of both Governments.

VIII.—All projects for Productive Public Works the estimates for which do not exceed 10 lakhs of rupees for works, or 12½ lakhs including establishment and tools and plant, and which are complete in themselves, will be dealt with finally by the local Government, after consideration of the report referred to in Rule VI, so far as engineering details are concerned, and they need not therefore be submitted to the Government of India accompanied by detailed plans or estimates; a selection of the plans, and abstracts of the estimates sufficient to indicate clearly the scope of the

project, and to justify its acceptance as a productive work, being in this case all that is required. But all such projects, the estimated cost of which exceeds 10 lakhs of rupees for works, or 12½ lakhs including establishment, tools and plant, will be submitted for final orders on all points to the Government of India with the plans and abstract estimates of the several works composing it. **LVIII—continued.**

IX.—After approval of any project by the Government of India, the local Government will have power to modify the details of the works under any minor or sub-head of account or component part, within the amount sanctioned for that head or part, and also to apply savings under one head to another in accordance with existing rules; provided that such modifications do not in any way involve the alteration of other parts of the project, or affect the standard, efficiency or stability of the whole work. If the modification be likely to lead to any such result, the local Government will consult the Government of India before carrying out the proposed change.

X.—During the progress of works they will be inspected from time to time by the Consulting Engineer to the Government of India for State Railways, *and* by the Inspector-General of Irrigation, or other selected officer.

XI.—The yearly grants for capital outlay on Provincial works will be fixed by the Government of India on a consideration of the requirements of the several works and of the total grant of the year for the whole of India, and in order that this grant may be as nearly as possible certain and continuous, local Governments should make careful forecasts of their future requirements for a term of four or five years, so that the Government of India may either make arrangements for complying with them, or give them timely warning of its inability to do so.

XII.—The yearly grant having been fixed and assigned to the different projects, the capital budget estimates will be submitted for the review and orders of the Government of India, and local Governments will be empowered to re-appropriate the allotments from one sanctioned project to another, provided that this power has not been reserved by the Government of India in the orders on the budget,—a course which may be necessary in exceptional cases,—and that the project to which it is transferred be a work of the same class as that from which it is taken (*e.g.*, the transfer

LVIII— continued.

should be from one railway to another, or from one canal to another); in every such case a report should be made for the information of the Government of India.

XIII.—In case of its being found necessary by the Government of India to reduce the total grant during any year, the local Government will have the power to distribute the total reduction over any of the works in progress other than those in the case of which, as provided for in the last paragraph, this power may have been specially reserved by the Government of India.

XIV.—Indents for stores to be obtained through the Secretary of State will be forwarded through the Director of State Railway Stores to the Government of India. It will be the duty of the Director of Stores to check such indents by the lists of surplus stores available on Guaranteed and State Railways, in order to prevent, so far as may be practicable, the accumulation of surplus stocks. Proposed reductions will be brought to the notice of the local Governments concerned, and the indents, as revised, will be forwarded to the Government of India for transmission to the Secretary of State for compliance, provided the local Governments have made due provision for funds.

Establishments.

XV.—The establishments of engineers, upper subordinates, store-keepers, &c., required for the construction of provincial railways, will be made provincial in all cases in which the local Government has the means, whether by fixed yearly Imperial grant or otherwise, of retaining their services permanently. All establishments that cannot be permanently employed, and which will consequently be thrown back upon the hands of the Government of India, will remain continuously on the Imperial list.

XVI.—The permanent engineer establishment in each province will ultimately be fixed at the minimum needed for its normal requirements, first appointments being made according to the rules laid down in Chapter I, Public Works Code, as revised, and promotions being made by local Governments under the same rules as for provincial establishments.

XVII.—Any establishments for the construction of provincial works which may be required in excess of the minimum referred to in the preceding paragraph will, if not

immediately available from the permanent establishment of some other work or province, be entertained temporarily under the rules laid down for the entertainment of temporary establishments. LVIII—continued.

XVIII.—But if available from some other work or province, they will, on application to the Government of India, be placed at the disposal of the Provincial Government, and will be employed on the same footing as provincial establishments, except that they will remain on the Imperial list, and their promotion will be made on the recommendation of the local Government; on the completion of the work or works for which they were transferred, they will become an Imperial charge, but will continue to be employed by the Provincial Government until elsewhere absorbed.

XIX.—As soon as the establishment permanently required in any province for railway work is fixed and made provincial, it will be in the power of the local Government to decide whether or not to amalgamate the establishment employed on railways with that employed on canals and general provincial works.

XX.—Within the limits fixed by the Government of India, the local Government will have the power of altering or reducing circles of superintendence, and of creating and of abolishing executive divisions in all cases of establishment which has been made provincial.

XXI.—As laid down in Rule XV, the promotion of all establishments, borne on the Imperial list, but employed provincially, will be made by the Government of India upon the recommendation of the local Government; in all other respects the establishments which are employed by the local Government will be treated as provincial establishments, and neither first postings nor transfers to or from the province will be made without first consulting the local Government.

XXII.—The duties of the officers of the Accounts Branch are fully laid down in the revised Public Works Code, and it is not intended that those rules should be deviated from, except that, when the local Government desires it, only one officer of the Accounts Branch shall be in direct communication with the Accountant-General, Public Works Department, in respect of each class of works, such as railways, canals, &c.

LVIII—continued.

Railways open for traffic.

XXIII.—The superior revenue establishments of provincial railways may be either wholly Imperial, or wholly Provincial, at the option of the Provincial Government.

If Imperial, postings, transfers and promotions will be made in accordance with Rule XXI; but appointments to the sanctioned working establishment, whether superior or subordinate, of open lines on salaries not exceeding Rs. 250 monthly, will not require the orders, of the Government of India; and no class or grade of officers on the Revenue Establishment other than those recognized on Imperial State Railways, can be created without the permission of the Government of India.

If Provincial, the establishments, both superior and subordinate, will be engaged to serve for a term of years only, without claim to pension or gratuity from the State, unless otherwise specially agreed. The rate of pay and other conditions of service will be within the sole control of the Provincial Government, which may at its discretion extend to this class the operation of the rules under which pensions and gratuities are granted to persons employed at the charge of Local Funds.

XXIV.—The usual revenue budget estimates, as also the half-yearly authorization lists of establishments, together with the working estimates of open lines, will be dealt with by the Local Governments. Copies of the revenue budget estimates and of the authorization lists will be submitted for the information of the Government of India.

XXV.—Previous to opening a line for public traffic, and in case of serious accidents on an open line, inspections will be made in accordance with the general instructions prescribed by the Supreme Government. Officers independent of the Provincial Railway Branch, and either appointed or approved by the Government of India, will be nominated for these duties, and will be instructed to fulfil them on the requisition of the Local Government or Railway authorities. Their reports should first be submitted to the local Government, by which they will be forwarded to the Government of India for information, with a copy of the orders passed. It will thus rest with the local Government to arrange for

the inspection of a railway, and to authorize its opening, after consideration of the report of the Inspecting Officer. LVIII—continued.

XXVI.—A Local Government shall not close any line of railway without first obtaining the permission of the Government of India.

XXVII.—Through-booking with foreign railways and interchange of traffic, as also, on lines of the same gauge and standard of vehicles, will be subject to the control of the Government of India.

XXVIII.—In through-booking arrangements, as well as in other matters affecting Guaranteed Railways which may arise in connection with any Provincial and Local lines, the Provincial Government will communicate with Local Consulting Engineer for Guaranteed Railways.

XXIX.—Provincial Railways shall be bound to perform all customary services for other Government Departments on the same conditions as Imperial State Railways perform them; and if any differences of opinion arise as to the scale of charges, they will be referred to the Government of India.

XXX.—The control of the train service, tariff of rates and fares, goods classification, and other details connected with the working and management of Provincial Railways, is vested in the Local Government, subject to such general principles as may be laid down from time to time by the Government of India; but the Supreme Government reserves the power to control the rates for the transport of food-grains, of coal, and of other staple products of the country; to direct the running of cheap passenger trains at certain speeds and at convenient hours; and to give such orders as will conduce to the convenience of the public in the matter of through-booking with foreign railways.

XXXI.—The expenses of direction will be charged rateably to the several lines in a province, and these lines should bear their share of the Consulting Engineer for State Railways, the Director of Stores, and the Port Store-keepers, as well as of any general charges debited to State Railways. They will also continue to bear their share of losses of stores at sea.

XXXII.—The accounts of receipts and expenditure of Provincial Railways will be submitted under the rules in force for Imperial State Railways. The Government of India will exercise a vigilant check over the incidence against capital of charges arising on works earning revenue;

LVIII—concluded. and the principles from time to time enunciated on this head and the orders passed in particular cases, should be accepted and acted upon loyally. Copies of the revenue accounts of open lines and of the reviews thereof will be submitted for the information of the Government of India.

W. A. CROMMELIN, *Major-Genl.*, C.B., R.E.,

Secretary to the Government of India,
Public Works Dept.

The 20th March 1878.

LIX.

No. 2443, dated Simla, the 25th August 1879.

RESOLUTION—By the Government of India, Department of Finance and Commerce.

READ again—

The Resolution in the Financial Department, No. 1868, dated the 15th March 1878, prescribing the rules and conditions under which provincial debenture loans may be raised by local Governments for works of material improvement, the interest on which loans will be paid from provincial resources.

Forwarding amended forms of notifications inviting tenders for Provincial Debenture Loans, and of Debentures, and of Tenders.

The Governor-General in Council requests that the annexed forms of notifications inviting tenders for provincial debenture loans and of debentures may be substituted for the forms promulgated with the Resolution quoted in the preamble.

LX.

NOTIFICATION.

, THE 18

Form of notification inviting tenders for Provincial Debenture Loans.

THE Governor-General in Council having sanctioned the construction of a Railway / Canal between and at an estimated cost of Rs. and the raising of this sum or any part of it by the issue of a provincial debenture loan, the of has resolved to borrow lakhs of rupees by means of a provincial debenture loan as follows.

2. Provincial debentures will be issued for the said amount in the form annexed to this notification and bearing a minimum interest of four-and-a-half per centum per annum as therein described.

LX—contd.

3. Debentures will be issued if desired for Rs. 50 each; otherwise no debenture will be issued for any amount not being a multiple of Rs. 100.

4. Tenders for the whole or any part of the said amount of lakhs of rupees will be received by the Accountant General / Deputy Accountant General, , from this date to noon of . Each tender must be addressed, in the form annexed to this notification, to the Accountant General / Deputy Accountant-General, , and enclosed in a sealed cover superscribed—"*Tender for Provincial Debenture Loan.*"

5. Each tender must be accompanied by a receipt from the branch of the Bank of at or from an officer in charge of some Government treasury in , or by a cheque on a banker at , or by Government promissory notes made payable to the Accountant General / Deputy Accountant General, , for not less than one-fiftieth, or, if the tender be for less than a lakh of rupees, then for not less than one-twenty-fifth part of the tender. This deposit of two or four per centum will be forfeited if the allotment is not fully taken up; otherwise if it is in cash, it will be treated as in part payment of the last instalment. A cash deposit may, after acceptance of the tender in support of which it is made, be replaced by a Government promissory note, or by a provincial debenture issued under this notification, or any like previous notification in

6. No tender at a lower rate than one hundred rupees per centum will be accepted.

7. The rate at which a tender is made must not contain a fraction of an anna; if a rate containing a fraction of an anna is inserted in any tender, such fraction will be struck out, and the tender treated as if the rate did not contain such fraction of an anna.

8. Tenders will be opened publicly at the office of the Accountant General / Deputy Accountant-General in at noon on ; but the contents of the tenders will not be disclosed otherwise than as provided in clause 10.

9. Tenders at and above par will be accepted in the order of the rates tendered, beginning with the highest rate; the amount allotted at the lowest rate at which tenders are accepted will be divided amongst those who have tendered

LX—concld. at this rate, in proportion, as nearly as may be found convenient, to the amounts of their tenders.

10. As soon as possible after the said letters of allotment will be issued to those persons whose tenders are accepted in whole or in part, and an alphabetical list of the names of those to whom such letters of allotment are issued will be posted for general information at the branch of the Bank of at

11. Payment of any accepted tender may be made to the account of the Government in the branch of the Bank of at , or in any Government treasury or treasuries in which may be named in the tender.

12. Accepted tenders must be paid in instalments as follows:—

On or before
On or before
On or before

but the whole or any part of any accepted tender may be paid at any time after receipt of the letter of allotment.

13. Interest upon each payment will be promptly paid in advance at the rate of four-and-a-half per centum per annum from the date of such payment to the first day of

14. Scrip receipts for instalments paid will be given by the branch of the Bank of at or by the officers in charge of the Government treasuries at which payment is made. These receipts will, as soon as possible, be exchanged for debentures issued under this notification.

LXI— GOVERNMENT OF DEBENTURE LOAN No.

Provincial Debenture Loan, , for Rs.

Form of Provincial Debenture Loan.

THE of hereby acknowledges to have received from A. B. the sum of Government rupees (*x*) as a loan to the Secretary of State in Council of India upon the following conditions.

LXI—contd.

2. The said rupees (x) shall be expended in the construction of a Railway/Canal between and , and such subsidiary works as, with the sanction of the Government of India, may be undertaken for the improvement or development of that Railway/Canal.

3. Interest at four-and-a-half per centum per annum from the first day of will be paid on this debenture, half-yearly, at the Government treasury at [or the branch of the Bank of at]

4. Soon after the 31st March of each year a *pro formâ* account shall be published in the *Government Gazette* showing—

(1) The total capital expended on the construction of the said and Railway/Canal and its appurtenances and

(2) The gross earnings, working expenses, and net earnings of the said Railway/Canal during the year ending on the said 31st March.

5. The said account will contain *pro formâ* entries to cover the cost of the pension and absentee allowances of the establishments and all other expenses incidental to the construction and working of the Railway/Canal, and will be prepared generally in the manner prescribed from time to time for the capital and revenue accounts of State Railways/Canals in India, with any modifications of detail which the may deem necessary in order to ascertain the true net earnings, if any, of the said Railway/Canal.

6. The of will then declare the highest multiple of one quarter contained in the ascertained proportion per centum which the said net earnings, if any, during the said year ending 31st March, bear to the total capital expenditure upon the said Railway/Canal.

7. One-half of any percentage thus declared in excess of four-and-a-half shall be added to, and be payable with, the half-yearly instalment of interest next thereafter due upon this debenture.

8. No debenture-holder shall have any property in the said Railway/Canal, or be entitled to call for, or examine any account or voucher, or challenge the construction or correctness of any of the accounts above mentioned, or any entry made therein, or of the declaration of the

LXI-concld. percentage of net earnings to capital expenditure promulgated thereupon by the

9. No part of this loan will be discharged before the , or without a previous notice of three months to be published by the in the *Government Gazette* at any time after the . Such notice shall be considered as equivalent to a tender of payment of this debenture at the date appointed for the discharge of the loan, from which date all further interest upon this debenture shall cease. The place of re-payment of this debenture shall be the Branch Bank or Government Treasury at which interest is for the time being payable upon it.

10. When re-payment is made, the proprietor of this debenture shall be entitled to receive either (*x*) Rupees, or, at his option, such a sum as would, if invested at the date fixed for the discharge of the loan, in promissory notes of one of the Four Per Cent. Rupee Loans of the Government of India, yield interest equal to the average interest including excess interest, if any, under clause 7, which has accrued upon this debenture during the six half-years last preceding the date of the notice of discharge.

11. This debenture is transferable by endorsement, and the interest may be made payable (so long as the account of the Government is there kept) at the Branch of the Bank of at , or at any of the following Government Treasuries, viz.

12. This debenture may be renewed, sub-divided or consolidated with other debentures of the same loan, under the rules of the Public Debt Office at the Bank of Bengal, or under any other rules which may from time to time be prescribed by the Government of India for that purpose.

LXII.

Form of Tender.

FORM OF TENDER.

I, A B, hereby tender for Rupees (*x*) of the Provincial Debenture Loan, , No. , advertised in the Notification published in the *Gazette* No. dated and agree to pay for the same, subject to the conditions notified, at the rate of Rupees (*y*) annas (*z*)* for every hundred rupees allotted to me.

* Fractions of an anna not allowed

LXII—concluded.

I enclose a deposit receipt for Rupees (*xx*) and engage, if my offer be accepted, to pay to the account of the Government in the Branch of the Bank of at [or into the Government Treasury at† (as the case may be)] the first instalment on or before , and the several later instalments on or before the following dates:—

* Or Cheque or Government Promissory Note.

† Here enter the name of Treasury.

on or before .
on or before .
on or before .

NOTE.—A separate tender must be made at each rate tendered, and each tender must be supported by a separate deposit. In order to avoid mistakes, the tender, or, at least, the name of the tenderer, and the amount and rate tendered, should be written in English. The rate tendered should be the whole amount per centum, not the premium, thus—"one hundred" or "one hundred and two," not "par," or "two per cent. premium."

LXIII. PRODUCTIVE PUBLIC WORKS—RULES AND CHECKS APPLICABLE TO PROVISION OF FUNDS FOR.

No. 2009, dated Fort William, the 23rd March 1878.

RESOLUTION—By the Govt. of India, Financial Dept.

READ—

Financial Department Resolution No. 1868, dated 15th March 1878, prescribing Rules and Form for Provincial Debenture Loans for Productive Public Works

Read also—

Public Works Department Rules, dated 20th March 1878, for the construction and management of Provincial Productive Public Works.

Prescribing Rules for the regulation of the Finance and Accounts of Provincial Productive Public Works.

The Governor-General in Council is pleased to prescribe the following subsidiary rules for the regulation of the finance and accounts of Provincial Productive Public Works;—

Works "Extraordinary" to be henceforth called "Productive Public Works"

1. Under instructions from the Secretary of State, the Government of India is pleased to direct that works hitherto described as Extraordinary shall henceforth be called Productive Public Works.

Rules in force regarding "Extraordinary Works" to be henceforth applicable to "Productive Public Works."

2. The whole of the rules hitherto in force regarding the preparation of designs and estimates for Extraordinary works, the sanction of expenditure upon them, the method of rendering the accounts, and so forth, will henceforth be applicable to Productive Public Works.

The immediate financial and administrative charge of Productive Public Works shall eventually be vested in the local Governments and Administrations.

3. The immediate financial and administrative charge of Productive Public Works within the territories of the several local Governments and Administrations will eventually be vested in those authorities, subject to the rules prescribed in the Financial and Public Works Departments, to secure a due general control by the Government of India. It will, however, be necessary before this intention can be carried out, that a satisfactory arrangement shall be made between each Provincial Government and the Government of India in the Financial Department, as to the liabilities of the Provincial revenues for charges connected with productive works already completed or in progress in the province, and the manner of crediting the income of such works. When

LXIII—continued.

such an arrangement has been made, the full responsibility for its productive works will devolve on the local Government, and the following rules will become applicable to it.

The Imperial Treasury to be, as a general rule, held harmless regarding charges for interest or otherwise in respect of Productive Public Works constructed hereafter.

4. In future, as a general rule, and unless a work is required in the general Imperial interests, or for the development of some poor or backward province, the Governor-General in Council will not sanction, or recommend the Secretary of State to sanction, the construction of any productive public works unless the Provincial Government undertakes to hold the Imperial treasury harmless in respect of all charges for interest or otherwise in respect thereof.

Specifying the three means by which a Provincial Government may find funds for Productive Public Works.

5. A Provincial Government may find funds to be expended on productive public works—

(*a*) by grants from its accruing Provincial revenues or from any balance of such revenue at its disposal;

(*b*) by negotiating, with the sanction of the Government of India, local debenture loans; or

(*c*) by obtaining grants from the Imperial treasury.

Interest, at present 4½* per cent. per annum, will be charged on all sums granted from the Imperial Treasury.

6. Interest at a rate to be fixed by the Governor-General in Council, so as to cover all discounts and other contingent charges arising from loan transactions (at present 4½* per cent. per annum) will be charged to the Provincial Government on all sums granted to it from the Imperial treasury for the construction of productive public works.

In any case, the whole expenditure must be charged to the capital account of the work concerned.

7. From whatever source the funds are supplied, the whole expenditure upon productive public works must be charged to the capital account of the work concerned and in the public accounts.

Generally, the Provincial Government will appropriate to Provincial uses the whole income accruing from its own Productive Public Works.

8. The Provincial Government will be responsible for the entire cost of maintaining its own productive public works from the Provincial Revenues, and will appropriate to Provincial uses the whole income accruing therefrom, subject to any special or general rule, under which the Government of India may be held to be entitled to a proportion of any net profits.

The Government of India will provide fixed grants for each Government, year by year, for five years certain.

9. To enable the local Governments to make arrangements with proper foresight for the systematic construction of productive public works within their several jurisdictions, the Government of India will undertake to provide fixed grants for each Government, year by year, for five years

* Altered to 4 per cent. under Financial Department Resolution No. 863, dated the 10th February 1882, with effect from the commencement of the year 1881-82.

LXIII— continued.

irrespective of any sums which the local Government may be able to supply

certain, provided always that no unforeseen financial difficulty supervenes. These fixed grants will be in addition to the amount which the local Government may be able, from time to time, to supply from its own resources, or with the sanction of the Government of India to raise by local debenture loans.

Arrangements in respect of establishments required for Productive Public Works

10. With respect to establishments required for this class of works, it will be the policy of the Government of India that the local Government shall not be subjected to more control in respect to their public works establishments than in respect to the rest of their civil establishments, with the distribution and promotion of which the Government of India ordinarily exercises little or no interference. It may perhaps be possible to organise for each province a public works service as separate and self-contained as the Provincial Civil Services. Meanwhile the following principles must be observed:—

(1) Without the special sanction of the Government of India no recruits must be engaged above the rank of lower subordinate, unless there are no superfluous officers of the required rank in any other province;

(2) Each local Government must bear its share of any superfluous officers already in the service;

(3) Promotions from one rank to another must not be made while there are supernumerary officers of the higher rank in other provinces.

11. Subject to these general conditions, the Government of India will interfere as little as possible with the arrangements of the Provincial Governments, and will not, without consulting them, transfer officers from their service to other provinces or other employ, or *vice versâ*. Further orders on these subjects will, so far as is requisite, be issued from the Public Works Department.

The accounts of all Productive Public Works to be kept by the Public Works Accounts Department

12. The accounts of all productive public works shall be kept, as now, by the officers of the Public Works Accounts Department.

Position and duties of the Examiner of Public Works Accounts defined.

The local Examiner of Public Works Accounts shall, for this purpose, occupy a like position relatively to the local Government to that of the Civil Accountant-General: that is to say, he shall be an accountant to the local Government for public works, but he will remain, as now, responsible to the Accountant-General of the Public Works

Department, and, through him, to the Government of India, for the due enforcement of all financial rules and orders. An Examiner of Public Works Accounts shall not, ordinarily, be removed or transferred by the Government of India except in consultation with the local Governments concerned. **LXIII—concluded.**

13. The Government of India may, at its discretion, require the local Governments to bear such part of the cost of the Account Department, or of the allowances and establishment of the Consulting Engineer to the Government of India for State Railways, including, in each case, the indirect and deferred cost, as it may determine to be due to provincial productive public works.

A local Government may be required to bear a part of the cost of the Account Department, or of the allowances and establishment of the Consulting Engineer to the Government of India for State Railways

14. The local Government shall keep such accounts of their transactions relating to productive public works, and shall return to the Government of India, and publish such statements and exhibits as the Government of India may from time to time require and direct.

The local Government to keep such accounts and publish such statements as the Government of India may require

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No. 1514, dated Simla, the 8th July 1878. **LXIV.**

RESOLUTION—By the Government of India, Financial Dept.

READ—

A docket by the Assistant Secretary to the Government of the North-Western Provinces, Public Works Department, No. 168½A-LR of the 5th March 1878, forwarding, for the information of the Government of India in this department, a letter addressed to the Government of India in the Public Works Department, No. 167LR, dated 5th March 1878.

Read also—

A letter from the Secretary to the Government of the North-Western Provinces and Oudh, No. 132B, dated 13th March 1878, addressed to the Government of India in the Financial Department, sending copy of the same letter for consideration with reference to paragraph 11 thereof.

RESOLUTION.—With this letter the Government of the North-Western Provinces send, for the approval of the Gov-

LXIV— continued.

ernment of India in the Public Works Department, a scheme for the construction of light railways in the North-Western Provinces and Oudh; and in paragraph 12 asks for a grant of not less than twenty lakhs of rupees to be expended on this scheme in 1878-79, and thereafter of forty lakhs a year.

2. The Lieutenant-Governor, after making careful enquiry, is of opinion (see paragraph 11, of which consideration is specially asked in the letter No 132B, received separately in this department) that he will be able to guarantee the interest on these advances, provided that the Government of India will leave him from the License Tax Act II of 1878, the amount realized during 1877-78 under the Provincial Act VIII of 1877.

3. Since these letters were written, the financial arrangements for the year 1878-79 have been published, as a part of which fifteen lakhs of rupees have been provided for railway construction (Cawnpore and Farakhabad line) in the North-Western Provinces during 1878-79, and the proportion of the license-tax in the North-Western Provinces and Oudh to be contributed for famine insurance has been settled.

4. Before the Government of India in the Financial Department can take into consideration the further demands contained in these letters, it must know (1) the amount which the Government of the North-Western Provinces will require during the next five years for works of irrigation; (2) the amount which the other local Governments desire to spend during the same period on productive works (Railways and Irrigation); and (3) the amount which the Imperial Public Works Department expects to spend on works of this class for which no local Government will be responsible. As soon as all the demands of the Imperial Public Works Department and of all the Governments are known, the Government of India will distribute the funds which it expects to have at its disposal as may seem most for the general interest of the country. The demands here referred to are exclusively those to be met from imperial funds, independently of any funds which the local Government may expect to raise by local debenture loans, which last may, for the present, be regarded as available in addition to the imperial grants.

LXIV—continued.

5. Meanwhile the procedure adopted in the present instance seems to the Governor-General in Council to make it necessary for him to issue some general instructions upon certain points of fundamental importance for the successful working of the system of provincial finance introduced in 1870, and now in course of development.

Issuing some general instructions for the successful working of the system of Provincial Finance introduced in 1870.

6. The basis of that system is financial; the local Governments being placed, in respect of their provincial revenues, under certain pecuniary liabilities, while their administrative powers in relation to public expenditure have been extended. The Government of India has not contemplated the abrogation of the constitutional responsibility imposed upon it, of exercising a general executive supervision over the proceedings of the local Governments in the collection of the revenues and the administration of the services entrusted to their quasi-independent care, but it is essential that there should be no confusion as to the financial relations between the Government of India and the local Governments which constitute the essence of the new system.

The basis of that system is financial.

7. This is especially important in regard to productive public works, as to which the financial obligations of the local Governments are especially serious. These works, though planned by the professional advisers of the local Government, must be subjected to the general professional supervision of the Government of India in the Public Works Department: but the main connection between the Local Governments and the Supreme Government in respect of them will henceforth be financial; and it is of the highest importance that the nature of this financial connection be in no way obscured.

The Financial obligations of the local Governments are especially serious in regard to Productive Public Works.

8. The fundamental principle laid down is, that if the productive works which a local Government desires to construct have satisfied the Secretary of State as to the general conditions applicable to such works, then, subject to the general professional superintendence of the Government of India in the Public Works Department, and within the practical limits which must regulate the supply of the necessary funds, the local Government will be authorized to undertake the works; provided only that it is able to give a valid guarantee to the Imperial treasury against any financial failure.

What these financial obligations are.

9. Hence it becomes necessary that the financial relations of the Government of India and the local

LXIV—continued.

The Financial Department of the Local and Supreme Governments will deal with the ability of the Provincial Finances to support the obligations arising out of any projected work, while the Public Works Department will confine themselves to the professional questions relating to the work, and will be responsible for watching that it is able to satisfy the financial conditions for which it was sanctioned.

Governments in respect to these works should be controlled and guarded on considerations distinct from those dependent on their professional character. The question how far the provincial finances are in a position to support the obligations arising out of any system of works, concerns only, and will be dealt with in, the Financial Departments of the local and Supreme Governments. The Public Works Departments will confine themselves to the professional questions relating to the works, including their profitable character, the general arrangements under which it is proposed to carry them out, and the relative importance of the works projected, comparing one with another, or the requirements of one province with another. The Public Works Departments will also be responsible for watching that the several works are able to satisfy the financial conditions on which they were sanctioned.

Rules for ensuring attention to the above instructions.

10. To ensure attention to this in future, the following rules are prescribed :—

(1) No proposals involving financial liabilities on the provincial revenues should be made by any local Government without careful independent consideration and assent in its Financial Department.

(2) Proposals submitted to any Department of the Government of India, involving any expenditure, excepting for the construction of public works, should always emanate from the Financial Department of the local Government, and be transmitted, with any needful remarks, by the Department of the Government of India addressed, for consideration in the Financial Department of the Government of India.

(3) Proposals submitted to the Government of India for the construction of public works should emanate from the local Public Works Department. But they should be accompanied by the review of the local Financial Department; and all preliminary discussion necessary for the proper elucidation of the professional, remunerative, and administrative aspect of any matter under consideration, would be carried on between the

Public Works Departments of the local Government and of the Government of India. **LXIV—concluded.**

11. Every proposal submitted by a local Government in the Public Works Department, involving such financial considerations as to require the eventual assent of the Government of India in the Financial Department, should have been previously reviewed in the Fianancial Department of the local Government, and copies of the proposal as submitted from the local Public Works Department and of any resolution taken thereon in the local Financial Department, should be simultaneously forwarded to the Government of India in the Financial Department from the local Financial Department, so that, should the occasion require, the Financial Department of the Supreme Government may discuss the financial points raised, independently, with the Financial Department of the local Government.

The Financial Department of the Local Government to review every proposal made by its Public Works Department before submission of the same to the Government of India in the Financial Department

12. Lastly, all orders issued by the Government of India in the Public Works Department, relative to the prosecution of works, must be understood, as heretofore, to have been given subject to the general financial rules laid down for the guidance of local Governments; and no administrative instruction should be regarded as conveying authority for the disbursement of funds, regular financial sanction for which has not been given.

No administrative instruction to be regarded as authorising the disbursement on Public Works of funds for which regular financial sanction has not been given.

No. 2857, dated Simla, the 12th September 1878. **LXV.**

RESOLUTION—By the Government of India, Finl. Dept.

READ again—

(1) Rule I (8) of the "Rules and Conditions which apply to the administration by the Local Governments of Revenues and Services surrendered to Provincial uses and management," which were published with Resolution No. 1709, dated 22nd March 1877.

(2) Rule 5 of the "Subsidiary Rules for the regulation of the finance and accounts of Provincial Productive Public Works," Rules for Local Loans published with Resolution No 2009, dated 23rd March 1878.

Read the following correspondence in the Public Works Department:—

(3) Letter to the Government of Bengal, No. 658A S R, dated 31st May 1878, asking the Lieutenant Governor to place £16,400 at the disposal of the Director of State Railway Stores from Provincial Funds, to cover the cost of certain

LXV— continued.

stores required for the Bengal State Railways in excess of the provision made upon the estimates of 1878-79.

(4) Replies by the Government of Bengal, No. 139R, dated 13th June 1878, and No 178R, dated 27th June 1878, placing the said sum of £16,400 at the disposal of the Government of India.

Ruling that a local Government shall not at its own discretion arrange to spend from balances at its credit, more than the total amount provided in its estimates at the beginning of the year.

RESOLUTION.*—A local Government may estimate to expend all its accruing revenue, and all the balances at its credit at the beginning of the year, and, subject only to the general conditions and restrictions contained in the rules prescribed for its guidance, it may distribute and re-distribute the total amount of its estimated provincial expenditure at its discretion. But inasmuch as the Government of India makes its general arrangement for ways and means after taking into account all the demands of the local Governments upon their balances, as intimated, before the year begins, these Governments cannot be allowed at their own discretion, and without communication with the Government of India, to spend, even from balances at their credit, more than the total amount which they have thus intimated.

2. This principle applies with equal force to ordinary current expenditure, and to expenditure from Provincial Revenue or Balances, on Productive Public Works, under the Rule of the 23rd March 1878, which only recognises the right of the local Government to expend Provincial Funds upon Productive Public Works under the conditions which apply to all provincial expenditure, and implies no relaxation of any of these conditions.

3. A consideration of these principles shows that the Government of Bengal, not having provided in its estimates for 1878-79 for the expenditure of £16,400 for stores required for its Provincial Railways, had no authority to sanction this expenditure during this year, unless it could find the money by curtailing an equal amount of expenditure on some other object for which provision is contained in those estimates. If, however, the Government of Bengal cannot now conveniently provide the £16,400 by a transfer from some work for which provision is made in the estimates,

* Some of the restrictions placed by this Resolution upon the expenditure of funds on Productive Public Works have been withdrawn by subsequent orders, as will be seen further on.

this small sum may, under the circumstances, be sanctioned in anticipation of savings, either Provincial or Imperial. If the transaction has been dealt with in any other manner, the needful corrections should be now made. **LXV—continued.**

4. But as the Government of Bengal appears to be under a misapprehension of the effect of the arrangement proposed, the merits of that arrangement should now be reconsidered. If after considering all its liabilities, the Government of Bengal thinks that it can spare any of its Provincial Balances for investment in Productive Public Works, it may possibly be wise thus to use its own money, and so reduce the amount which must be borrowed for such works, whether by means of Provincial Debenture Loans or from the Imperial Treasury; but it must understand that it cannot in this manner, after the expenditure and ways and means of the year have once been settled, increase the total sum available for expenditure, which is necessarily determined by the actual amount in the treasuries of India in which the Provincial Balances are already included.

Provincial funds may be appropriated to reducing the amount which must otherwise be borrowed for investment in Productive Public Works, but the total sum available for expenditure cannot be thus increased after the expenditure and ways and means of the year have once been settled

5. It would seem in any case inexpedient for the Government of Bengal to invest in this way a broken and comparatively petty sum like £16,400: and if after considering the matter in the light of the explanations now given, the Government of Bengal determines in future to employ part of its balances in the construction of Productive Public Works, it would do better to provide a substantial round sum for the purpose upon the estimates of another year.

In any case it is inexpedient to invest in this way a broken and comparatively broken sum It would be better to provide a substantial round sum in the estimates of another year.

6. The Government of India, however, cannot undertake to increase the total Ways and Means placed at the disposal of the Government of Bengal in any year for Productive Public Works, by the amount which may be thus appropriated from the Provincial Balance; and indeed such appropriation cannot much affect the amount which the Government of Bengal will have to spend altogether on Productive Public Works.

The Government of India cannot, however, undertake to increase the total Ways and Means placed at the disposal of the Government of Bengal in any year for Productive Public Works by the amount which may be thus appropriated from the Provincial balances

LXV— concluded.

The total amount available any year for distribution among the local Governments for Productive Public Works depends mainly upon two considerations; and appropriations by local Governments can add nothing to that amount.

7. The amount which will be available for distribution among the local Governments to be expended in the construction of these works will mainly depend upon—

(1) the amount of surplus revenue in all India upon the ordinary account:

(2) the amount that can be borrowed on reasonable conditions.

Appropriations by local Governments from balances at their credit can add nothing to the total amount for distribution, which, as before said, depends on the actual cash in the treasury, which includes those balances; and though some consideration may be due to a local Government which makes such an appropriation, the Government of India would not thereby be justified in materially curtailing the assignments to the other less prosperous Governments: and without such curtailment it is not probable that the whole amount placed at the disposal of any local Government, including any appropriation from its own balances, could be greatly increased.

LXVI.

No. 5027, dated Calcutta, the 12th November 1878.

From—D. Barbour, Esq, Offg. Secy. to the Govt. of Bengal, Financial Department,

To—The Secy. to the Govt. of India, Financial Dept.

With reference to the Resolution by the Government of India, in the Financial Department, No. 2857, dated 12th September 1878, I am directed by the Lieutenant-Governor to request that the following representation may be laid before His Excellency the Governor-General in Council regarding the rule that a Local Government shall not, at its own discretion, arrange to spend from balances at its credit more than the total amount which it has provided in the estimates.

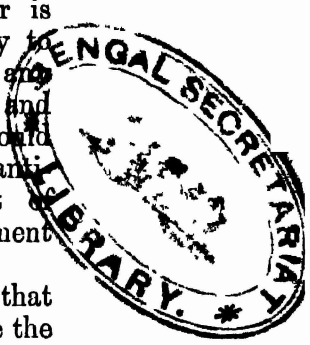
Urging that a local Government should be at liberty to expend by grants during the currency of the year any excess of revenue which it obtains during the

2. The Lieutenant-Governor fully understands that the Government of India makes its general arrangement for ways and means after taking into account all the demands of the Local Governments upon their balances as intimated before the year begins; but he is of opinion that no additional grant made by a Local Government in the middle of the year could inconvenience or embarrass the

LXVI—continued.

Government of India, provided the additional grant was covered by savings under other heads, or met by an increase of revenue not anticipated at the time the estimates were framed, and for which credit had not been taken in them. The essential condition would seem to be that a Local Government should not embarrass the Government of India by unexpectedly reducing the provincial balance below the amount with which it was estimated that the year would close. With this limitation, the Lieutenant-Governor is of opinion that a Local Government should be at liberty to expend, by grants during the currency of the year, any excess of revenue which it obtains during the year over and above the amount provided in the estimates, and which would otherwise simply swell the balance beyond what was anticipated; and I am to request that the Government of Bengal may be favoured with the orders of the Government of India on this point.

year over and above the amount provided in the estimates, and which would otherwise simply swell the balance beyond what was anticipated.



3. In the Resolution above quoted, it is also said that the Government of India cannot undertake to increase the total ways and means placed at the disposal of the Government of Bengal in any year for Productive Public Works by the amount which may be appropriated for the purpose from the provincial balances, and that such appropriation cannot much affect the amount which the Government of Bengal will have to spend altogether on Productive Public Works.

4. This rule, which appears to the Lieutenant-Governor to be an entirely new one, is based upon the facts that the amount available for distribution among local Governments for expenditure on Productive Public Works will mainly depend upon the amount of surplus revenue in all India upon the ordinary account, and the amount that can be borrowed on reasonable conditions, and that appropriation by local Governments from balances at their credit can add nothing to the total amount for distribution, which depends on the actual cash in the treasury.

Urging also that any sum which the Government of Bengal may be able to provide from the Provincial Revenues for Productive Public Works should be treated as a clear addition to the amount assigned to Bengal for such works from Imperial Funds.

5. The Lieutenant-Governor admits that an appropriation from provincial balances for Productive Public Works can add nothing to the total sums available for such works, but he has always understood that the total sum which the Government of India would distribute would not include the amount appropriated for the purpose from the provincial balances, and that such amount would be added to the

LXVI—concluded.

amount allotted by the Government of India to the Local Government for Productive Public Works.

Illustrating the principle enunciated above

6. Thus, if the total amount available for Productive Public Works in any year was estimated to be £4,000,000, and the Government of Bengal was prepared to appropriate £200,000 from its provincial balance, the amount available for distribution by the Government of India among all local Governments would be £4,000,000 *minus* £200,000, or £3,800,000, and after the division had been made a sum of £200,000 would be added to the amount assigned to Bengal.

Urging that the above view accords with the rule laid down in paragraph 9 of Financial Resolution No 2009, dated the 23rd March 1878.

7. The Lieutenant-Governor is of opinion that it is in this way only that the scheme of provincial services can be fairly carried out, and that the view which he now puts forward is the same as that formerly held by the Government of India is shown by the rule laid down in paragraph 9 of the Resolution by the Government of India in the Financial Department, No. 2009, dated 23rd March 1878:—

> "To enable the Local Governments to make arrangements for the systematic construction of Productive Public Works within their several jurisdictions, the Government of India will undertake to provide fixed grants for each Government year by year for five years certain, provided always that no unforeseen financial difficulty supervenes. These fixed grants will be an addition to the amount which the Local Government may be able from time to time to supply from its own resources, or with the sanction of the Government of India to raise by local debenture loans."

8. This rule involves no hardship to other Local Governments, as, in the hypothetical case stated in paragraph 6 of this letter, the Government of Bengal might arrange to spend £200,000 additional on non-productive Public Works or in other ways, and thus reduce the total sum available for distribution by the Government of India to £3,800,000.

9. The Lieutenant-Governor therefore hopes that the Government of India will not set aside what he cannot but consider an essential principle of the provincial service scheme, and that any sum which he may be able to provide from the provincial revenues for productive Public Works shall be treated as a clear addition to the total amount assigned to Bengal for Productive Public Works from the resources at the disposal of the Government of India.

No. 476, dated Fort William, the 31st January 1879. **LXVII.**

From—R. H. HOLLINGBERY, Esq., Asst. Secy. to the Govt. of India, Financial Department,
To—The Secy. to the Govt. of Bengal, Financial Dept.

I AM directed to acknowledge the receipt of your letter No. 5027, dated the 12th November 1878, containing the Hon'ble the Lieutenant-Governor's remarks on the principle explained in the Financial Resolution of the Government of India, No. 2857 of the 12th September 1878, that a local Government should not, without communication with the Supreme Government, spend, even from balances at its credit, more than the amount provided for in the estimates.

In reply, I am to observe that, in the circumstances described in paragraph 2 of your letter, expenditure in excess of the estimates would not be open to objection, but that every important departure from the estimates should be reported to the Government of India. Where the increase of expenditure is small, a simple intimation through the local Accountant-General to the Comptroller-General will suffice.

The local Government competent to make additional grants during the currency of the year from savings or from an unanticipated increase of revenue; but every important departure from the estimates should be reported to the Government of India.

With regard to the latter part of your letter, the Government of India does not consider that the view taken in the Resolution of the 12th September 1878 is at variance with the understood basis of the Provincial system; and as your letter contains no practical suggestion on which a precise issue is raised, the Governor-General in Council would prefer to permit the question, so far as it has any practical importance, to be solved by the course of events. I am now only to say that the Government of India will always attend to any representation from His Honor the Lieutenant-Governor if the financial interests of the Bengal are in his opinion not properly considered in the distribution of the available funds of the empire.

The Government of India do not consider that the view taken in the Resolution of the 12th September 1878, regarding provision of funds for Productive Public Works, is at variance with the understood basis of the Provincial system.

LXVIII.

No. 1227, dated Fort William, the 24th March 1879.

RESOLUTION—By the Government of India, Financial Dept.

READ—

A memorandum from the Department Public Works, No. 1459 A—S.R., dated 13th December 1878.

RESOLUTION.—With this document the Department of Public Works communicates to the Financial Department a note in which the Accountant-General, Department Public Works, reports that expenditure is being incurred upon the construction of the Mysore State Railway, which the local Examiner of Public Works Accounts cannot audit for want of estimates and appropriations; and the Department of Public Works requests that the Financial Department will communicate to it early any instructions which may be necessary in regard to the provision of funds for the work.

It is the duty of the Department of Public Works to take care that no expenditure is incurred upon any public work without adequate sanction, which sanction should never be given until estimates have been framed, submitted, and accepted.

2. The Hon'ble the President in Council observes that it is exclusively the duty of the Department of Public Works, to take care that no expenditure is incurred upon any public work without adequate sanction, which sanction should never be given until estimates have been framed, submitted, and accepted. As the construction of works can hardly be begun without designs and estimates, it should be as easy to communicate such designs and estimates to the Government as to the Executive Engineer.

The Examiners of Public Works Accounts should decline to audit any expenditure not duly sanctioned.

3. The Examiners of Public Works Accounts should decline to audit any expenditure not thus duly sanctioned; and each Examiner should at once bring all such unauthorised expenditure which he may discover to the notice, in the first place, of the local Government. If this is not immediately effectual in stopping the expenditure, the Examiner should then report the case to the Government of India in the Department of Public Works. The local Governments are not at liberty to authorise the expenditure even of provincial or local funds upon any work not regularly authorised after the preparation of estimates and the due appropriation of funds.

LXVIII—concluded.

4. But in all this it does not seem to the President in Council that the Department of Finance can usefully intervene: the function of this Department ceases with the allotment of funds: it is the duty of the Department of Public Works, and not of that of Finance, to see that the public money devoted to public works is expended under all the prescribed checks and with all due regularity.

5. The President in Council has reason to fear that there may have been of late some laxity in these respects connected with the difficulties and uncertainties attending the introduction of the policy of provincial responsibility for provincial public works. If so, there should now be no further relaxation of the prescribed rules and checks applicable to the construction of public works with public funds.

Reciting some of the prescribed rules and checks applicable to the construction of Public Works with public funds.

6. No productive public works should be begun in future; and no provincial loan for the construction of such a work will be authorised until all the prescribed preliminary formalities are completed—*i.e.* until—

(1.) The construction of the work as a productive public work has been sanctioned by proper authority;

(2) The plans and estimates have been accepted by the local Government, and, if the rules so require, by the Government of India;

(3) Funds have been formally provided for the work.

7. No money will in future be assigned to any local Government for the construction of any productive public work the construction of which has not been duly authorized, and the plans and estimates of which have not been duly accepted and sanctioned.

8. The President in Council deems it moreover necessary to take this opportunity of saying that, without the previous concurrence of the Government of India in the Financial Department, no imperial expenditure must be incurred on any productive public works in those provinces—viz. Bengal, the North-Western Provinces, and Oudh, British Burma, and the Central Provinces, in which the arrangements for the provincial responsibility for such works are already complete.

LXIX.

No. 2819, dated Simla, the 27th September 1879.

RESOLUTION—By the Government of India, Department of Finance and Commerce.

READ the undermentioned papers:—

Resolution in the Public Works Department, No. 184-1851, dated 6th July 1877.

Letter from the Government of the North-Western Provinces (received in the Public Works Department), No. 51W, dated 10th January 1878.

Ditto ditto ditto, No. 679A, dated 5th May 1879.

Certain decisions upon the subject of subsidiary works.

THE Governor-General in Council has come to the following decisions upon the questions regarding which it appears from these papers that doubts are entertained:—

Cost of all subsidiary works connected with a canal or necessitated by it, is part of the capital cost of the canal.

I.—The cost of all subsidiary works immediately connected with a canal, or necessitated by it, is part of the capital cost of the canal; such, for example, as the purchase of land for plantations on the banks or bermes, or for drains, and the first cost of fencing and planting plantations and of nurseries of young trees, and of constructing drains.

Cost of working plantations on the banks, such as pruning, thinning, &c., is part of the working expenses of the canal.

II.—The cost of working plantations on the banks, such as pruning, thinning, jungle-clearing, felling and marking, watering and maintenance of nurseries, and of maintaining, renewing, and clearing drains, is part of the working expenses of the canal.

If a local Government appropriates the profit from a work (whether canal or railway) then it must pay interest on any Imperial funds used in the construction of the work, and bear the whole cost of its maintenance

III.—If a work (whether canal or railway) is constructed with a view to profit, and the local Government appropriates the profit from it, then the local Government must pay interest from provincial resources on any funds supplied from the Imperial treasury for the construction of the work, and bear the whole cost of its maintenance; and this, whether the work is classified as a productive public work or not, and whether the money supplied from the Imperial treasury is borrowed or not.

LXIX—concluded.

IV.—Unless the local Government pays interest upon that part (if any) of the capital cost of a work which is supplied from the Imperial treasury, it may not, except under special arrangements with the Imperial Government, appropriate the revenue derived from the work, which will be an Imperial asset.

Unless the local Government pays interest upon the capital imperial cost, if any, of a work, it cannot appropriate the revenue derived therefrom

V.—A work, whether classed in the finance and revenue accounts as a productive public work or not, constructed without aid from the Imperial treasury, or upon that part (if any) of the capital cost of which, which is supplied from the Imperial treasury, interest is paid by a Provincial Government, is to be treated in the accounts as a provincial work, the whole profit being a provincial asset. The Imperial expenditure on the construction of such a work will, however, be recorded as Imperial, notwithstanding that interest upon it is paid from provincial resources.

If a work is constructed without aid from the Imperial Treasury, or if interest is paid upon such portion, if any, of the capital cost as is supplied from Imperial funds, the work is to be treated in the accounts as a provincial work. The Imperial expenditure will, however, be recorded as Imperial.

LXX.

No. 1856, dated Fort William, the 10th December 1879.

RESOLUTION.—By the Government of India, Department of Finance and Commerce.

READ again the following Resolutions :—

I.—No. 2009, dated 22nd March 1878, paragraphs 5 and 7, as follows :—

"5. A Provincial Government may find funds to be expended on productive public works—

(*a*) by grants from its accruing Provincial Revenues, or from any balance of such revenue at its disposal ;

(*b*) by negotiating, with the sanction of the Government of India, Local Debenture Loans ; or

(*c*) by obtaining grants from the Imperial Treasury.

"7. From whatever source the funds are supplied, the whole expenditure upon productive public works must be charged to the capital account of the work concerned."

II.—No. 3667, dated 26th October 1878, paragraphs 14 and 25 as follows :—

"14. When, under the option allowed to it in paragraph 5 of Resolution No. 2009, dated 23rd March 1878, a Provincial Government expends provincial resources on

LXX— continued.

productive public works, such expenditure will be recorded in *Account No. II* above the total expenditure, and will operate to reduce the Provincial Surplus, or increase the Provincial Deficit. But in the *General Account No. IV*, any such provincial expenditure upon productive public works will be combined with the Imperial expenditure under the head of *Productive Public Works* below the total expenditure. It is not overlooked that the effect of this arrangement will be in such cases to make the remaining Imperial surplus more, or the Imperial deficit less, than it would otherwise be, and that this result is open to some objection. But the amounts are never likely to be large; and it seems better to submit to that inconvenience than to break up the head of '*Productive Public Works*,' and show the provincial part of the expenditure on such works above the Surplus or Deficit of the year.

"25. In the Public Works Accounts cognizance will not in future be taken of transactions between Provincial and Local Funds, or contributions from the Imperial Treasury to either Provincial or Local Funds, or *vice versâ*. All such contributions will be arranged by the Financial Department of the Local Government through the General Civil Accounts; the duty of the Public Works Account Department will be confined to seeing that the expenditure on public works from any particular grant from whatever source does not exceed the amount of the grant. Every grant by the Local Government for public works must be made either wholly from Provincial Funds, or wholly from some specified Local Fund, any necessary mutual contributions between these Funds on account of the work being arranged in the Civil Accounts."

III.—No. 2819, dated 27th September 1879, recording certain decisions upon the subject of subsidiary works.

Read letters from the Accountant-General in the Public Works Department:—

IV.—No. 327G, dated 28th June 1878, suggesting the issue of positive and specific orders prohibiting the expenditure of Provincial funds upon works subsidiary to any productive public work which are essential parts of such a work.

V.—No. 480G, dated 4th September 1879, enquiring whether—

(1) the whole capital cost of productive public works, however provided, should be treated as Provincial expenditure, and so transferred from the books of the Public Works Department to the Civil Department;

(2) or whether only the portion provided from Provincial resources should be so treated. **LXX—continued.**

RESOLUTION.*—The whole capital cost from all sources of every work sanctioned as a productive public work should be recorded in the accounts of the Public Works Department and in the Finance and Revenue Accounts as *Imperial Expenditure*, no part of such expenditure being recorded as Provincial Expenditure, or entered in the Provincial Accounts, either because funds may be raised for it by means of a Local Debenture Loan, or provided from Provincial resources, or because interest on the capital cost of the work and the cost of its maintenance are defrayed from Provincial resources, and the revenues accrue to the Provincial Treasury.

Ruling that the whole capital cost, from all sources, of every work sanctioned as a Productive Public Work should be recorded as "Imperial Expenditure"

2. It is sometimes made a condition of the construction of a productive public work that the whole or part of the cost shall be raised by means of a Local Debenture Loan. The interest upon such a loan is paid from Provincial resources, and entered in the provincial column in the Finance and Revenue Accounts. Nevertheless a Local Debenture Loan is part of the Regular Public Debt of India: in raising such a loan a local Government acts not independently, but only as the Agent for the Government of India; and the particular character of those loans confers upon the local Governments no special rights in their proceeds, which simply accrue to the Imperial Treasury and are Imperial assets.

3. In like manner, the only practical effect of an appropriation from the balances at the credit of a local Government for the construction of a productive public work is to diminish the interest which the local Government would otherwise pay in respect to the work. Funds thus provided from Provincial resources are simply contributions to the Imperial Expenditure on productive public works, and should be treated accordingly in the accounts, the entries under 39—*Productive Public Works*—being unaffected thereby, and, as already said, the whole capital cost of the work being none the less treated as Imperial.

The only advantage gained by a local Government by spending its Provincial balances on a Productive Public Work, is to escape paying interest on the outlay.

* The rulings prescribed by this Resolution have more or less been modified by Financial Department letter No. 404, dated 8th May 1880, printed at pages 215 and 216.

LXX—concluded.

Local Governments may not spend Provincial funds directly upon works subsidiary to any Productive Public Work.

4. It follows that local Governments may not spend Provincial funds directly upon the construction of works subsidiary to any productive public work, the cost of which must be treated as part of the cost of the main productive work. It a local Government desires to spend Provincial funds upon such works, it can only do so indirectly by contributing them to the Imperial Government as explained in paragraph 3.

5. The Government of India is responsible to the Secretary of State that the general conditions applicable to the construction of such works, and the special conditions (if any) upon which the Secretary of State has sanctioned any particular work, are carefully observed. This responsibility is incompatible with any independent action upon such works by a local Government, notwithstanding that it may find the cost from Provincial funds. The Secretary of State takes no count of the several sources from which the funds for the construction of such a work are provided; he regards only the gross cost of the work and the conditions applicable to its construction, which are in no way affected by the origin of the funds expended upon it.

All expenditure upon the construction of a Productive Public Work, or any work subsidiary but essential thereto, must be recorded as Imperial expenditure.

6. Therefore all expenditure upon the construction of a productive public work, or any work subsidiary thereto, which is an essential part thereof, must be recorded as Imperial expenditure; and no such expenditure must be incurred except with the sanction of the Governor-General in Council in the Public Works Department.

7. These orders are not intended to interfere with the expenditure of ordinary Provincial resources upon works which, though connected with a productive public work, are not essential parts thereof, and do not enter into its cost, such for example as a bridge over a canal or railway, a feeder-road, or even a feeder-canal, or the like; but in the execution of such works care must be taken not to transgress the general principles laid down in this Resolution.

No. 369IA, dated Fort William, the 19th January 1880. **LXXI.**

From—H. C. LEVINGE, Esq., C.E., Joint-Secy. to the Govt. of Bengal, Public Works Dept., Irrigation Branch,
To—The Secy. to the Govt. of Bengal, Financial Department.

I AM directed to say that the Lieutenant-Governor having in this Department considered the communications from the Government of India noted in the margin, on the subject of capital outlay on productive public works, has passed the following orders.

Government of India, Department of Finance and Commerce Resolution No. 1856, dated 10th December 1879 (received with Bengal, Financial Department No. 3383 of the 19th idem).
Government of India, Public Works Department No 3A I., dated 7th January 1880.

2. The budget and regular estimates of the Irrigation Branch for the current year 1879-80 provide for the capital expenditure, from Provincial funds, of Rs. 1,40,000 on works connected with the productive irrigation works in Bengal, viz. Rs. 1,30,000 on additional distributaries in Orissa, and Rs. 10,000 on canal plantations in Orissa, Midnapore, and Behar; and the Government of India, in the letter from the Public Works Department quoted above, have allowed, as a special case, the allotments to be expended in the manner proposed. But no expenditure having yet been incurred on the additional distributaries, and funds being available from the Imperial grant of Rs. 23,50,000 for productive public works to meet the current year's outlay on canal plantations, His Honor has sanctioned the transfer of the entire sum of Rs. 1,40,000 from the head "Productive Irrigation Works" to that of "Irrigation and Navigation for which neither Capital nor Revenue Accounts are kept," for expenditure on works connected with the Circular and Eastern Canals and on establishment.

Sanctioning the transfer of the proposed grant of Rs. 1,40,000 from the head "Productive Irrigation Works" to that of "Irrigation and Navigation for which neither Capital nor Revenue Accounts are kept."

3. Similarly, the proposed grant of Rs. 2,25,000 from Provincial funds for the year 1880-81 for productive public works will be transferred for works connected with the Circular and Eastern Canals, &c., under the head "Irrigation and Navigation for which neither Capital nor Revenue Accounts are kept."

Transferring similarly the proposed grant of 2½ lakhs for the year 1880-81 to the head above mentioned.

4. The final issue of the budget estimates for 1880-81 will be altered in accordance with the above orders.

5. A copy of the Government of India, Public Works Department No. 3AI of the 7th instant is herewith forwarded for information.

LXXII.

No. 3AI, dated Fort William, the 7th January 1880.

From—Major-General A. Fraser, R E., Secretary to the Government of India, Public Works Department,

To—The Secretary to the Government of Bengal, Public Works Department, Irrigation Branch.

Refers to the proposal of the Bengal Government to supplement the Imperial grant of Rs 23,50,000 for "Productive Irrigation Works" for the year 1879-80 by an allotment of Rs 1,40,000 from Provincial funds for capital outlay on subsidiary works, and to spend similarly during 1880-81 Rs 2,25,000 on these objects Points out that under recent orders of the Financial Department the Provincial balances cannot be utilized in the manner proposed

As it appears from the Irrigation Budget Estimate of Bengal for 1880-81, and the Regular Estimate for 1879-80, received with your letter No. 4927I, dated 24th December 1879, that it is proposed to supplement the grant* of Rs 23,50,000 for productive public works for the current year by an allotment of Rs. 1,40,000 from Provincial funds for capital outlay on subsidiary works, viz.—

* Public Works Department Nos 74 75AI, dated 5th May 1879

	Rs.
Distributaries	1,30,000
Plantations	10,000

and that similarly during the year 1880-81 it is proposed to spend on these objects Rs 1,95,000 and Rs. 30,000 respectively, I am directed to make the following observations for the information of His Honor the Lieutenant-Governor.

Under the orders recently issued in the Financial Department, the Provincial balances cannot be utilized in the manner proposed, and the only advantage which the local Government will gain by spending its Provincial balances on works which form integral portions of projects classed as productive public works, such as distributaries and plantations, is that by so doing it will escape paying interest on the outlay.

The whole of the outlay incurred on these works, from whatever source obtained, must appear as a charge against the capital outlay of the project concerned, and be charged off finally under head 39—"Productive Public Works"—in the Finance and Revenue accounts of the year.

Intimating that as a special case the amount (Rs 1,40,000) may be expended from Provincial balances in the manner proposed, but that the outlay so incurred must be charged finally under 39, "Productive Public Works"

For the present year 1879-80, the Government of India will not object, as a special case, to the amount of Rs. 1,40,000 provided for in the regular estimate being expended from Provincial balances in the manner proposed, but the outlay so incurred must be charged off finally under 39—"Productive Public Works." The items, however, provided for next year noted in the margin, aggregating Rs. 2,25,000, must be struck out altogether, and no outlay thereon can be allowed unless it can be met by a re-appropriation of the sum already sanctioned for outlay on irrigation works classed as productive public works in Bengal, viz. Rs. 14,00,000.

	Rs
Distributaries	1,95,000
Plantations	30,000
Total	2,25,000

LXXII—concluded.

If the Government of Bengal so desires, this sum of rupees 2½ lakhs can be taken as a portion of the productive public works grant of the year on an application being made to the Finance Department of the Government of India to this effect.

The sum of Rs. 2½ lakhs may be taken as a portion of the Productive Public Works grant of the year 1880-81 on an application being made to the Government of India in the Financial Department to that effect.

The Government of India regrets that it is obliged to issue these orders; but the instructions received from the Secretary of State, that the total outlay on productive public works must not exceed a fixed limit, are positive, and must be obeyed, and it is clear that the Secretary of State in issuing those orders intended that in their execution no cognizance would be taken of the actual source from which the money expended thereon was supplied.

The orders of the Secretary of State require that the total outlay on Productive Public Works must not exceed a fixed limit, no matter from what source the money is supplied.

LXXIII.

No. 194, dated Calcutta, the 28th January 1880.

From—A. MACKENZIE, Esq., Secretary to the Govt. of Bengal, Financial Department,

To—The Secretary to the Government of India, Department of Finance and Commerce.

I AM directed to forward, for submission to His Excellency the Governor-General in Council, a copy of a letter from the Irrigation Branch of this Government, and of its enclosure, and to request that the Government of India will very seriously consider the effect of the orders contained in Major-General Fraser's letter No. 3AI of the 7th January, with reference to the capital outlay on reproductive works.

Urging a reconsideration of the construction put in Financial Department letter No. 3AJ, dated 7th January 1880, upon the orders of the Home Government regarding the limit of outlay on Productive Public Works.

2. The Lieutenant Governor gathers from that letter that the limit placed by the orders of Her Majesty's Secretary of State upon the total Imperial outlay for reproductive works is construed to limit not merely the grant for works of this character which the Supreme Government may make, but to place an absolute restriction on the total amount that the Imperial and provincial Governments together might wish to spend on reproductive works of every class.

3. I am to submit that the effect of this construction of the orders of the Home Government is practically to cancel one of the main objects of the decentralization policy explained

LXXIII— continued. in Sir J. Strachey's financial statement of the 15th March 1877, and to take away from the local Governments the strong inducements there held out to them to improve their resources and economise their departmental expenditure.

4. The Lieutenant-Governor understands that the object which the Secretary of State had in view when issuing the orders in question was the restriction of the responsibilities of the Supreme Government in the matter of reproductive works to an annual sum of two and a half millions sterling. The Lieutenant-Governor quite admits that it may be desirable for the Government of India to limit the sum that it has to provide annually for such works, and that its grants from that provision to provincial Governments must be regulated by the relative importance of the works calling for grants throughout the Empire. But when a local Government has by thrift and good management succeeded not merely in meeting all its obligations to the Supreme Government, but in accumulating funds which it is ready to devote to supplement such grants as the Supreme Government on a fair consideration of its claims with reference to those of other provinces has decided to give it, it seems most unreasonable to tell it that its Imperial grant for reproductive works will thereupon be reduced *pro tanto*. This is to bring all the local Governments down to the level of the most impecunious and needy among them. It takes away practically all motive for economy in the general administration of a province, and in the case of Bengal at any rate it disappoints the reasonable expectations of the people which led them to submit cheerfully to a novel burden of taxation in the assurance that their provincial resources would be utilized to the utmost in securing for them the early execution of those works of improvement that were admitted to be most urgently called for.

If, in addition to all this, the amounts granted for the reproductive works of the province are to have no relation to the sums raised in it for this purpose, the dissatisfaction is likely to be very seriously increased.

5. The effect of this arrangement will be to compel the local Governments to spend all their surplus funds on unproductive works—a proceeding which inflicts a great injustice on

the tax-payers. If provincial funds can be spent usefully in works of improvement likely to bring in a return, surely it is better that they should be so utilized than that they should be frittered away in buildings or unproductive communications. But if the grant which is made by the local Government for works of this description is to involve a decrease in the grant made to the local Government, it is not reasonable to expect that money will be assigned for such purposes. **LXXIII—concluded.**

6. The Government of Bengal has frequently had reason to complain of the comparatively small grants made to it for reproductive works by the Supreme Government. There are many sound and profitable projects, besides those now actually in hand, on which capital might usefully be spent, and it is his anxiety to press on the completion of works that are already well advanced, and to secure, as soon as possible, that profitable return to which the local Government must look that has led the Lieutenant-Governor to make subsidiary grants from his ordinary funds—grants which he must now keep back and expend elsewhere.

7. The Lieutenant-Governor feels very strongly that the Secretary of State on realizing the position would modify his orders if they do really bear what, in the absence of fuller explanation, seems the very strained construction put on them, and he would venture to urge upon the Government of India the very early consideration of the steps to be taken to this end.

No. 404, dated Simla, the 8th May 1880. **LXXIV.**

From—R. B. CHAPMAN, Esq, Secretary to the Govt. of India, Dept. of Finance and Commerce,

To—The Secretary to the Govt. of Bengal, Finl. Dept.

IN reply to your letter No 194, dated 28th January last, I am directed to say that the Governor-General in Council is not at present authorised to grant more than 2½ crores of rupees a year in all to be expended under the head 38, *Productive Public Works*, from whatever source the funds so expended may be derived.

The Supreme Government restricted to the expenditure of 2½ crores of rupees under the head 38, "Productive Public Works," from whatever source the funds may be derived.

LXXIV—concluded.

This restriction does not affect the expenditure of Provincial funds upon works that fulfil the condition of Productive Public Works, provided the expenditure is recorded under either of the ordinary heads of Account, 32, "Railways," and 33, "Irrigation and Navigation."

2. The restriction in question does not affect expenditure recorded under either of the ordinary heads of Account 32, *Railways*, and 33, *Irrigation and Navigation*, and the fact that the conditions of any work are such that its cost might, if the Government so pleased, be recorded under 38, *Productive Public Works*, does not make it necessary so to record it, and is no obstacle to its being recorded under either of the aforesaid ordinary heads 32 and 33.

Provided also such expenditure is not a fractional portion of the cost of a work of which the main cost is recorded under head 38, but relates to an entire Productive Work or to any separate self-contained subsidiary portion of a Productive Work.

3. It would doubtless be inconvenient to record under either of these heads a fractional portion of the cost of a work of which the main cost is recorded under 38, *Productive Public Works*, and the cost of a work must not be thus subdivided. But a local Government is at full liberty to construct, by means of provincial funds, an entire Productive Work, or any separate self-contained subsidiary portion of a Productive Work, recording the cost under either of the aforesaid heads 32 and 33.

The test and conditions of a Productive Public Work not applicable to such work.

4. The test and conditions prescribed in the case of a Productive Public Work would not apply at all to any work thus constructed wholly by means of provincial funds.

Unless the subsidiary work be part of a sanctioned project, it will be necessary to satisfy the Government of India that its construction would be profitable in itself, or at least would not diminish the net revenue from the parent work.

5. If a work subsidiary to a main Productive Work is thus constructed, the whole net income from, or net expenditure upon, both the parent and subsidiary work must be divided in proportion to the expenditure recorded under head 38 and that recorded under head 32, or, as the case may be, 33, and only the portion appertaining to the expenditure recorded under *Productive Public Works*, shown in the Profit and Loss Account submitted to Parliament (Abstract No. II appended to the Financial Statement). It would be necessary, therefore, in such case, unless the subsidiary work were part of the sanctioned project, to satisfy the Government of India that its construction would be profitable in itself, or, at least, would not diminish the net revenue from the parent work.

No. 2351; dated Simla, the 19th August 1880— **LXXV.**

RESOLUTION—By the Government of India, Department of Finance and Commerce.

READ again the following papers :—

I.—Resolution No. 2009, dated the 23rd March 1878, regarding rules for the construction of productive public works.

II.—Resolution No. 1344, dated 19th March 1879, requiring the Accountant-General, Public Works Department, to compile all the accounts and estimates—Provincial, Imperial, and Local—under the several Public Works heads.

III.—Resolution No. 1856, dated 10th December 1879, regarding the method of recording expenditure on such works in the finance and revenue accounts.

IV.—Letter to the Government of Bengal, No. 404, dated 8th May 1880, authorizing the expenditure of provincial funds upon works that fulfil the condition of productive public works, on condition that such expenditure is recorded under one of the ordinary heads of account, and not under the excluded head No. 38, Productive Public Works.

RESOLUTION.—Under the orders cited in section II of the preamble, it is the duty of the Accountant-General, Public Works Department, to calculate the amount to be charged to each local Government yearly as interest on the imperial funds invested in productive works.

Reciting that it is the duty of the Accountant-General, Public Works Department, to calculate the interest to be charged to each Local Government yearly on the Imperial Funds invested in productive works

2. Interest is not thus charged upon any funds so invested which a local Government provides from provincial sources, or by means of a local debenture loan on which interest is paid separately from provincial sources.

Interest is not thus charged upon any funds, so invested, which a Local Government provides from Provincial Sources or by means of a local debenture loan on which interest is paid separately.

3. It is essential therefore that each local Government should communicate simultaneously to the Government of India, in the Public Works Department, for the information of the Accountant-General of that department, any orders which it may issue for the appropriation of such funds as are

Appropriations of such funds as are described in paragraph 2, to the construction of a work, the cost of which is to be recorded under No. 38 "Productive Public Works," to be communicated promptly.

LXXV—concluded.

described in paragraph 2, to the construction of a work the cost of which is to be recorded under the excluded head No. 38, Productive Public Works.

4. The Accountant-General, Public Works Department, will keep the Comptroller-General and the Government of India in the Financial Department, promptly informed of all such appropriations.

Without India's assent in the Financial Department, such appropriations cannot be made unless provision has been made for them in the estimates of the year.

5. It must be well understood that without the assent of the Government of India in the Financial Department, such appropriations cannot be made unless provision has been made for them in the estimates of the year.

LXXVI.

No. 1727, dated Simla, the 20th July 1881.

RESOLUTION—By the Government of India, Department of Finance and Commerce.

READ again—

Financial Resolution No. 2351, dated the 19th August 1880.

Read—

Memorandum by the Accountant-General in the Public Works Department, No. 657R, dated the 17th June 1881, stating that the Government of the North-Western Provinces and Oudh has proposed to withdraw the contribution of 5½ lakh of rupees from Provincial balances, which it was arranged that it should make in 1880-81 for the construction of Railways in those Provinces.

In the Resolution of the 19th August 1880, recited in the preamble, it was laid down that a local Government must not appropriate any funds from its Provincial resources to the construction of a Productive Public Work without the assent of the Government of India in the Financial Department, unless provision has been made for such appropriations in the estimates for the year.

LXXVI—concluded.

2. The Governor-General in Council is now please to rule that, conversely, when such appropriations have been sanctioned, either in the estimates for the year or by special orders, a local Government may not disturb the arrangement without the consent of the Government of India in the Financial Department.

Sanctioned appropriations of funds to the construction of a Productive Public Works, may not be departed from, without the consent of the Government of India in the Financial Department.

LXXVII. FORMS OF ESTIMATES AND ACCOUNTS.

No 1886, dated Fort William, the 28th March 1877.

RESOLUTION—By the Government of India, Financial Department.

READ—

The Financial Statement by the Hon'ble Sir John Strachey, K.C.S.I., dated the 15th March 1877.

The Governor-General in Council has determined—

(1) to incorporate in the general estimates and accounts the transactions of the local Governments heretofore called provincial; and

(2) to make over to provincial uses and management certain additional revenues and services, abstaining henceforth from detailed interference with the proceedings of the local Government regarding them.

Issuing instructions as to the monthly statements to be submitted in future to the Financial Secretary by the Account Department.

2. In consequence of this Resolution, and for other reasons, the Governor-General in Council is pleased to issue the following orders for the information and guidance of the officers of the Account Department.

3. The comparative statement of receipts and expenditure received monthly from the Comptroller-General need no longer be sent to the Secretary in the Financial Department.

4. The monthly explanations of variations from budget estimates submitted by each Accountant-General under Comptroller-General's order No. 1556, dated 3rd February 1871, are also no longer required by the Financial Secretary, and may be discontinued.

5. The Comptroller-General will, however, submit to the Financial Department, as soon as possible after the end of each month, a statement of the revenue and expenditure and receipts and disbursements during the month and to the end of the month, in each province, under each major head of account, including the debt heads used in Statement No. V appended to the Financial Statement, and working from a balance to a balance.

6. The Comptroller-General will forward this statement for each province, and for India, General and Political,

month by month, as soon as it can be correctly prepared, without waiting till it can be got ready for all India in the same detail: the statement for all India should, however, be made ready and submitted as soon as the accounts of each month are ready. **LXXVII—continued.**

7. As soon as his monthly accounts are ready, each Accountant-General will report directly to the Financial Secretary any deviations from estimates, or anything else in the accounts which appears to him of sufficient importance to require the attention of the Government of India, sending copy of his report to the local Government: such reports should be reserved for really important matters, and should not include any trivial or unimportant fluctuations.

8. The Comptroller-General will give such instructions as will preserve throughout the accounts and estimates a clear distinction between the items for which the local Governments are responsible from the rest; this will be especially necessary in heads for some sub-divisions for which the Imperial Government, and for others a local Government, is responsible.

Accountant-General to submit to the Local Government consolidated annual estimates under all the heads of account which, with the orders passed thereon by the Local Governments, must not reach the Government of India later than the 25th January.

9. Accountants-General will henceforth make no distinction in their estimates between the items hitherto provincial and others, but will submit to the local Governments consolidated estimates under all the heads of account, without any reference to the several or mutual responsibilities of the Imperial Government and the local Governments. The local Governments will pass orders upon the portion for which they are responsible, and then send the whole on to the Government of India as soon as possible. They must not reach the Government of India later than the 25th January.

Further instructions regarding the annual estimates to be submitted by Accountants-General.

10. With his estimate of *balance of the local Government increased or decreased*, as the case may be, the Accountant-General must present the details of the transactions of the local Government from which he deduces his estimate, and show the opening and closing balances of the local Government. To enable him to do this, the Controller of Public Works Accounts must supply to him, in good time, the needful accounts and estimates in the Public Works Department, and he must obtain needful accounts and estimates from the Superintendent of Stationery, who should have these

LXXVII—concluded.

accounts and estimates ready by the end of November at latest.

11. The Accountants-General must submit estimates of the debt heads, used in Statement No. V appended to the Financial Statement, simultaneously with their estimates of revenue and expenditure and in the same statement.

The Comptroller-General to issue all needful supplementary orders.

12. The Comptroller-General will issue all needful supplementary orders, and will report, at the end of six months, whether the resolution of the Government to dispense with the voluminous monthly "Comparative statement of receipts and expenditure," for the preparation of which three clerks were transferred to his office from the office of the Financial Secretary, will enable him to make any reduction in his establishment.

ORDERED that this Resolution be distributed for information and guidance, and for such further action as may be necessary, as follows:—

1. To the Public Works Department of the Government of India.

2. To the several local Governments and Administrations: the Governments of Madras, Bombay, and Bengal will be good enough to communicate copy to the Superintendent of Stationery, with reference to paragraph 10.

3. To the Comptroller-General and to the several Accountants-General and Deputy Accountants-General in independent charge.

No. 1060, dated Calcutta, the 12th April 1877.

Memo. by COLMAN MACAULAY, ESQ., Acting Asst. Secy. to the Govt. of Bengal.

COPY of the above Resolution forwarded to the Board of Revenue for information, with the request that the necessary instructions may be issued to the Superintendent of Stationery, with reference to paragraph 10 of the Resolution.

No. 2831, dated Simla, the 13th September 1878. **LXXVIII.**

RESOLUTION—By the Govt. of India, Financial Dept.

READ again—

The third Appendix to the Financial Statement, 1878-79.

Read—

Letter from the Government of the North-Western Provinces and Oudh, No. 518A, dated the 3rd May 1878, submitting a correspondence with the Accountant-General, North-Western Provinces, from which it appears that the Accountant-General considered himself precluded from entering in the Provincial Estimates and Accounts, and obliged to confine to the Imperial Estimates and Accounts, the record of the gross revenue from canals, and the gross expenditure upon canals in the North-Western Provinces.

The prescribed forms of the Public Accounts may not be disturbed, but the Accountants-General may and should incorporate in the Provincial Estimates and Accounts any reasonable subsidiary details required by the Local Governments.

RESOLUTION.—The Governor-General in Council has ascertained that the Comptroller-General has withdrawn the orders No. 499, dated 29th June 1877, which the Accountant-General had understood to bear the meaning recited in the preamble, and devised a *pro forma* account in order to the orderly calculation and record of the mutual financial responsibilities of the Imperial and Provincial Governments. But the Governor-General in Council thinks it expedient to observe that the orders of the Government of India and the Comptroller-General contained nothing which should have caused the Accountant-General to hesitate to incorporate in the Provincial Estimates all details requested by the local Government.

2. When the Accountant-General wrote his letter No. 8B, dated 4th April, he must have had before him the third Appendix of the Financial Statement, which contains an abstract of all the Provincial Estimates and Accounts, prepared exactly as the Government of the North-Western Provinces and Oudh wished its own Provincial Accounts to be prepared.

3. No doubt, the result of the Provincial Accounts would remain unaffected if all the transactions of the Canals and State Railways were omitted, and the balance only of such transactions added to, or deducted from, the Provincial Assignment: but such condensations are contrary to the general principle of the public accounts; and the Government of India has not even condensed to this extent the Abstract of the Provincial transactions published for general information.

LXXVIII—concluded.

4. Because the transactions in question were to be shown gross, as heretofore, in the Imperial Estimates and Accounts, it did not at all follow that they should not also be shown gross in the Provincial Estimates and Accounts, where indeed, on the contrary, the Provincial Governments may reasonably wish for more details than is required for the purposes of the Government of India in the General Accounts.

5. The method desired by the Provincial Government has no doubt been already introduced into the Provincial Estimates and Accounts of the North-Western Provinces and Oudh; and it only remains for the Governor-General in Council to say that Provincial Accountants-General should always consult the wishes of the local Governments to the utmost, in the preparation of the Provincial Estimates and Accounts. The local Governments will, no doubt, always take counsel with the Accountants-General in respect to any modifications which they may desire in their Estimates and Accounts, and the principle of the Provincial Rule I (9) must always be carefully observed, viz. that, without the consent of the Government of India previously had, no alterations must be made in the form of the Public Accounts which will in the slightest degree affect the General Accounts of the Empire.

6. But the introduction of subsidiary details into the Provincial Estimates and Accounts can produce no such inconvenient results, and does not therefore infringe that salutary rule; and Accountants-General should therefore readily acquiesce in any reasonable wish expressed by the Provincial Governments for the exhibition in the Accounts of such subsidiary details.

LXXIX.

No. 3667, dated Simla, the 26th October 1878.

RESOLUTION—By the Government of India, Financial Dept.

READ again the following Resolutions:—

(1) No. 1886, dated 28th March 1877.
(2) „ 1072,* „ 20th February 1878.
(3) „ 1137,* „ 23rd February 1878.
(4) „ 1911, „ 18th March 1878, and the appended Financial Statement for 1878-79.
(5) „ 2098, „ 29th March 1878.

By the earliest of these Resolutions, the separate provincial revenue and expenditure, and, by the second and

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* *Vide* pages 94 to 96 of this selection

† *Vide* pages 65 and 66 (?) of this selection.

fifth, the separate local revenue and expenditure were incorporated in the general estimates and accounts of the Empire, in order that these estimates and accounts might exhibit in suitable detail the whole public revenue and expenditure. **LXXIX—continued.**

2. The general accounts thus expanded continue to show the true result of a comparison between the Imperial revenue and expenditure only, the surplus or deficit of Imperial revenue brought out upon the general accounts being exactly the same as would appear if the provincial local transactions were not thus incorporated, or were again eliminated.

Explaining how the incorporated Imperial, Provincial, and Local Accounts show the true result of a comparison between the Imperial Revenue and Expenditure only.

3. To produce this result, the incorporated transactions are brought into exact equilibrium, the incorporated revenues being made precisely equal to the incorporated expenditure: this is effected by the entry, under an adjusting or transfer head, of the actual difference between the incorporated provincial and local revenue and expenditure, any surplus of such provincial and local revenue being added to the provincial and local balances, and therefore appearing as Imperial expenditure, any deficit being made good from those balances to the Imperial treasury, and therefore appearing as Imperial revenue.

4. At the same time, by the third Resolution now read again, careful precautions have been taken against the inclusion, under the Imperial Adjusting revenue head *Provinical Deficits*, of any sum in excess of the balances actually in possession of any Local Government or Administration. In the 24th paragraph of the present Resolution, analogous precautions are prescribed against the credit under the same adjusting head, as a local fund deficit, of any sum in excess of the balance at credit of any local fund.

5. The incorporation in the general accounts of the provincial and local transactions made no change in the relations between the Imperial, Provincial, and Local finances, whose separate rights and responsibilities are in no way affected by their compilation into one general account. This is clearly explained in the fifth paragraph of the Financial Statement for 1878-79, and also in the fifth paragraph of the fifth Resolution now read again.

LXXIX— continued.

Issuing instructions to ensure the separate record of the Provincial and also of the Local Revenue and Expenditure, and the prevention of double entries of Revenue or Expenditure

6. It is now necessary to issue instructions to ensure—

(1) the separate methodical record of the provincial, and also of the local revenue and expenditure;

(2) that contributions from one of the three separate funds to either of the others shall be so treated that there shall be no double entries of revenue or expenditure in connection with such transactions in the general account.

7. In what follows, the Governor General in Council intends only to indicate the general principles to be observed, and the general results to be ascertained: it will be for the Comptroller-General to determine by what detailed accounting methods effect may most conveniently be given to the instructions of the Government.

Four separate accounts to be submitted to the Government of India by the Account Department (These accounts have been superseded by a single statement prescribed in paragraph 5 of Financial Resolution No 1344, dated 19th March 1879), printed at pages 239 to 242 of this selection.

8. With effect from the beginning of the current year 1878 79, four separate accounts must be prepared and submitted to the Government of India by each Accountant-General and Deputy Accountant-General in independent charge for his own province (through the Comptroller-General), and by the Comptroller-General for the treasuries in direct account with him:—

I.—An account of the Imperial revenue and expenditure reserved under the control of the Government of India.

II.—An account of the provincial revenue and expenditure.

III.—An account of the revenue and expenditure of those local funds of which the transactions are, under Resolution No. 2098, dated 29th March 1878, incorporated in the GENERAL ACCOUNTS.

IV.—A general account combining accounts Nos. I, II, and III.

Each of the accounts to be prepared in detail of the major heads in use for the Imperial Accounts.

9. Each of these four accounts will be prepared in precisely the same form, in detail of the major heads in use for the Imperial accounts only, without any variation whatever. The entry under each major head in the *general account No. IV* will be the sum of the entries under the same major head in the three accounts *Nos. I, II,* and *III.*

LXXIX—continued.

10. Besides the major heads of account common to all four accounts, certain adjusting or transfer heads will be necessary for the record of transactions between provincial funds and local funds, and provincial funds and Imperial funds. No transfer transactions will be allowed directly between the Imperial treasury and local funds: if any contribution is made from the Imperial treasury to local funds, or *vice versâ*, it must be adjusted through the provincial accounts in the manner described in the 26th paragraph. Direct payments from a local fund to the Imperial or Provincial treasury for services received—as, for instance, rent of an Imperial or Provincial building occupied by a local committee, or interest on an Imperial loan to a local fund—will, however, be treated as local expenditure, and Imperial or provincial revenue, and not as a contribution, or transfer; such transactions and any like converse transactions in respect to services rendered by a local fund to the Imperial or Provincial Government, will in short be dealt with in the manner described in paragraph 30 as applicable to transactions between Imperial, Provincial or Incorporated Local Funds and Excluded Local Funds. But no transactions between the Imperial and Provincial Governments may be thus dealt with: such transactions may be adjusted only by transfer entries upon the principle that provincial revenue and expenditure is only a sub-division of Imperial revenue and expenditure.

Transfer transactions between the Imperial Treasury and Local Funds must be adjusted through the Provincial Accounts in the manner described in the 26th paragraph, except in the case of direct payments for services rendered, which payments as well as those between Provincial and Local Funds will be dealt with in the manner described in paragraph 30.

11. Financial transactions between the Provincial and the Imperial Governments are of two kinds—

First.—Transactions under quasi-contracts, as follows :—

(*a*) Allotments from the Imperial treasury for provincial services, whether such allotments be fixed, or a share of some Imperial revenue.

Contributions from provincial resources to the Imperial treasury, as follows :—

(*b*) Interest on the capital expended by the Imperial Government on provincial productive public works, or as the Imperial share of the profits from those works.

(*c*) The Imperial share of other provincial revenues.

(*d*) In aid of the surplus which the Government of India desires to maintain in ordinary times to enable it to meet expenditure for counteracting famine when, periodically, it occurs.

Two kinds of financial transactions between the Provincial and the Imperial Governments.

LXXIX— continued.

(*e*) For stamps and stationery supplied from the Imperial stores, the cost of which appears in the general accounts as Imperial expenditure.

Second—Transactions in what may be called mutual aid or support: as when, for instance, the Imperial Government makes a grant to a Provincial Government in aid of, or undertakes to pay part of the cost of, a particular provincial work of material improvement, the cost of which appears in *Account No. II* as Provincial expenditure; or when, conversely, a Provincial Government contributes, under like circumstances, for an object the charge for which appears in *Account No. I* as Imperial expenditure.

Mode of adjusting such transactions

12. Clearly, all such transactions of either kind might be set against each other, and a single net transfer entry made in the accounts without affecting the surplus or deficit of the accounts. Accordingly, in the *general Account No. IV* no entry at all will be necessary or admissible in respect to these transactions, the whole effect of which, however numerous they may be, and whatever their character, will be adjusted in *Account No. IV* by the entry under *provincial and local surplus or deficit.*

13. But in *Account No. II* such transactions will be recorded gross under the following transfer heads, with corresponding entries in *Accounts No. I* and *No III.* These transfer heads may be conveniently grouped together immediately above the totals of revenue and expenditure:—

I.—As revenue—

(1) *Allotments from the Imperial Treasury.*
(2) *Contributions from local funds.*

II.—As expenditure—

(3) *Contribution on account of Productive Public Works, viz. interest* on Imperial capital and Imperial share of profit of Productive Public Works.*
(4) *Imperial share of other provincial revenues.*
(5) *Contributions for famine insurance.*
(6) *Stamps and Stationery* supplied from Imperial stores.*
(7) *Other contributions to the Imperial Treasury.*
(8) *Contributions to local funds.*

* Interest paid directly from provincial resources, as, for example, on a provincial debenture loan, must be shown in Account No II, not as a transfer, but as expenditure under 1—INTEREST ON DEBT, and the cost of stationery bought in the market with provincial funds, and not procured from the Imperial Stores, must be shown in Account No II, not as a transfer, but as expenditure under 24—STATIONERY AND PRINTING

LXXIX—continued.

14. When, under the option allowed to it in paragraph 5 of Resolution No. 2009, dated 23rd March 1878, a Provincial Government expends provincial resources on productive public works, such expenditure will be recorded in *Account No. II* above the total expenditure, and will operate to reduce the provincial surplus, or increase the provincial deficit. But in the *general Account No. IV* any such provincial expenditure upon productive Public Works will be combined with the Imperial expenditure, under the head of *productive Public Works*, below the total expenditure. It is not overlooked that the effect of this arrangement will be, in such cases, to make the remaining Imperial surplus more, or the Imperial deficit less, than it would otherwise be, and that this result is open to some objection. But the amounts are never likely to be large; and it seems better to submit to that inconvenience than to break up the head of "*Productive Public Works*," and show the provincial part of the expenditure on such works above the surplus or deficit of the year.

No debt heads admissible in the Provincial Account No. II; but such heads cannot be dispensed with in the Local Account No. III. The debt transactions of local funds must not, however, appear at all in the General Account No. IV.

15. The *provincial Account No. II* and the *local funds' Account No. III* will each begin with a balance. No debt heads must be admitted to the *Provincial Account No. II*; the separate rights and obligations of the Local Governments extend only to revenue and expenditure In debt transactions carried out under their authority, the Local Governments represent the Imperial Government, and such debt transaction must be recorded in the Imperial Accounts only. But it does not appear possible to dispense with debt heads in the *local Account No. III*; the debt transactions of local funds should be entered under a single head on each side of *Account No. III* below the total revenue and expenditure, and should not appear at all in the *general Account No. IV*, which is an account of revenue and expenditure only.

16. The original intention expressed by the Government of India, in the second Resolution now read again, was to incorporate in the general estimates and accounts the transactions of only those local funds which are at the unfettered disposal of the Provincial Governments for provincial uses. It was found, however, that the several Provincial Governments do not exercise the same jurisdiction over funds of the same character, and that it is not always possible to discover what are the precise powers of a Local Government over a particular fund. Under these circumstances, it

LXXIX— continued.

appeared that the incorporation of only those funds which were at the absolute disposal of the Local Governments would produce incomplete and anomalous results. The original intention of the Government of India was therefore abandoned, and by the fifth Resolution, recited in the preamble, all funds of a general character were incorporated, whatever the powers of the Local Government over them.

Instructions for the preparation of Accounts No II and No III, on the basis that the latter should be reserved exclusively for the local funds, which are not at the free disposal of the Local Governments, all other local funds being incorporated in Account No II

17. It is, however, important to show in one account the entire revenues more or less completely at the disposal of each Local Government for provincial purposes, and the expenditure therefrom; and the *Account No. II* now prescribed should be prepared on this basis, *Account No. III* being reserved exclusively for the local funds, which are not at the free disposal of the Local Government for provincial purposes. Accordingly, each Local Government should determine, in consultation with the local Accountant-General, whether any local funds may be conveniently transferred to the category of provincial funds, in order to the inclusion in *Account No. II* of the entire transactions of every fund heretofore called "local" which is, from beginning to end, at the disposal of the Local Government for provincial purposes, unfettered by any law or orders of superior authority. The Accountant-General will have no difficulty in maintaining, as hitherto, a separate account of any fund thus made provincial, if the Provincial Government thinks that it is not enough to appropriate to it separate minor heads under *VI and* 8, *provincial rates.* A fund should not be excluded from the category of "provincial funds" by reason of its being applicable to some particular service only, as, for instance, public works or education, provided that it may be spent on such service, at the discretion of the Local Government, throughout the province, but only if its expenditure is restricted, not only to particular objects, but also to particular districts or localities.

18. Further, the balances or particular assets of some local funds which it may not be found possible to convert *simpliciter* into "provincial funds," and incorporate in *Account No. II*, sometimes become by lapse of time, operation of law, undisputed practice or otherwise, applicable, at the discretion of the Local Government, to the whole province. All such balances and assets should be shown in the *local funds' Account No. III* under the transfer head "*Contributions to Provincial Funds*," and in the *provincial Account No. II*

under the transfer head "*Contributions from Local Funds.*" Thus, the closing balance of the *provincial Account No. II* will always be the whole amount at the disposal of each Local Government for expenditure in the province generally, either at its absolute discretion, or upon some particular services, and the closing balance of the *local funds' Account No. III*, the amount of public money, the use of which is restricted by law or order to special districts or localities, and is not at the disposal of the local Government for expenditure throughout the province. **LXXIX—continued.**

19. The transactions of a fund which is primarily appropriated by law to particular districts or localities, should not be excluded from *Account No. III* and included in *Account No. II*, merely because, as is practically the case with the local rates' funds of the North-Western Provinces, the unspent balances belong to the province generally. But the transactions of a fund which, like the Oudh margin fund, is not appropriated to particular districts or localities at all, or which, like the Calcutta Canals' Fund, or the Madras Tolls' Fund, is appropriated entirely at the discretion of the Local Government, should be, none the less, excluded from *Account No. III*, and included in *Account No. II*, because, in practice, its expenditure may be confined to some particular services.

20. The really important figures will be the separate balances of the two accounts. The Government of India quite understand that the balances shown under these orders in *Account No. II* will not be at the unrestricted disposal of the Local Governments, irrespective of the objects upon which they may be spent, but the restrictions affecting these balances will be based not upon law, but upon practice or executive orders; and, inasmuch as they will apply chiefly to Public Works, to which object, in practice, almost all the available balances of the several Local Governments are ultimately devoted, it is considered more convenient that balances over which the control of the Local Government is subject to such partial and practically nominal restrictions should be shown in the Provincial than in the Local Funds' Account.

21. Each Accountant-General should, as soon as possible, submit for the orders of the Local Government the measures which he suggests for carrying into effect the instructions contained in paragraphs 17 and 18, and, after those

The Accountants-General to suggest the measures for carrying into effect the above instructions.

LXXIX—continued.

measures have been sanctioned by the Local Government, report them, through the Local Government, for the information (and, if necessary, orders) of the Government of India. Moreover, inasmuch as the multiplication of separate Funds of any kind is, *primâ facie*, open to great objection, the Local Governments and the Accountants-General should bear in mind that no such separate Fund should be instituted or continued without unavoidable necessity. It should, therefore, be the constant effort of both the Local Governments and the Accountants-General to prevent the formation of fresh Funds, and to abolish every Fund which can be dispensed with, either by absorbing it in the general Provincial Revenues, or by amalgamating it with some other existing Fund. Upon this point attention is invited to Resolution No. 1275, dated 19th June 1877.

The Local Governments and the Accountants-General should always prevent the formation of fresh funds, and abolish every fund which can be dispensed with.

22. Nothing contained in the foregoing paragraphs applies to any of those Local Funds of which the transactions were excluded from the Public Accounts by the fifth resolution now read again. These excluded Funds are as follows:—

Nothing in the foregoing paragraphs applies to Excluded Local Funds.

Municipal, Cantonment, Port, Town, and Station Funds.
Educational, Dispensary, Hospital, and all other Trust or Endowment Funds.
Police Remount Funds.
The Persian Famine Relief Fund; the Pooree Pilgrims' Fund, the Barea Tribute Fund; the Bombay Esplanade Fee Fund; the Bombay Cotton Improvement Fund; the Indus Conservancy and Registration Fund;
and any other Funds which may be especially classsd by the Governor-General in Council among the "Excluded Local Funds."

The adjusting head of "Provincial Deficits and Surpluses" altered to "Provincial and Local Deficits and Surpluses." For further alterations regarding this head see pages 246 and 247.

23. The adjusting entries in the General Abstract of the *General Accounts and Estimates*, published with the Financial Statement of 1878-79, were entitled "*Adjusting Receipts from, and payments to, Provincial Governments* (*Provincial Deficits and Surpluses*)." But the entries really, of necessity, included, besides the Deficits and Surpluses of Provincial Revenue, the Deficits and Surpluses of Local Revenue, and must be accordingly, with the sanction of the Secretary of State, amended in future, thus: *Provincial and Local Deficits and Surpluses.* The Surpluses and Deficits brought out upon the separate *Provincial and Local Account Nos. II and III* herein ordered will, in the *General Account No. IV*, be brought together under these heads.

LXXIX—continued.

24. But, for reasons analogous to those which dictated the precaution recited in paragraph 4, the Provincial Government must be responsible that no expenditure is permitted from any Local Fund in excess of the balance at its credit. If accidentally any such excess expenditure occurs, it must (unless the Governor-General in Council authorises its adjustment under some Imperial head) be balanced at once by a "*contribution from Provincial Funds.*" which will produce a corresponding reduction of the Provincial Surplus or increase of the Provincial Deficit, and so prevent any untrue credit in the *General Account No. IV* under the heading "*No. XXVIII.—Povincial and Local Deficits.*" Such contribution may, if the Local Government think fit, be recovered in a later year, and will in such case, upon recovery, appear in *Account No. II* as a *contribution from Local Funds ;* but it is contrary to fundamental principles that any sum due from any Local Fund should be recorded as revenue before it is recovered.

The Provincial Government responsible for curing any Local Fund deficit, by a "Contribution from Provincial Funds"

25. In the Public Works Accounts cognizance will not, in future, be taken of transactions between Provincial and Local Funds, or contributions from the Imperial Treasury to either Provincial or Local Funds, or *vice versâ ;* all such contributions will be arranged by the Financial Department of the Local Government through the General Civil Accounts: the duty of the Public Works Account Department will be confined to seeing that the expenditure on Public Works from any particular grant from whatever source does not exceed the amount of the grant. Every grant by the Local Government for Public Works must be made either wholly from Provincial Funds, or wholly from some specified Local Fund, any necessary mutual contributions between these Funds on account of the work being arranged in the Civil Accounts.

All contributions for Public Works must be arranged by the Financial Department of the local Government through the General Civil Accounts

Every grant by the Local Government must be made either wholly from Provincial Funds or wholly from some specified Local Fund

26. In order to avoid the multiplication of adjusting or transfer heads, it is thought more convenient that all contributions from the Imperial Treasury to Local Funds, or from Local Funds to the Imperial Treasury, should be effected through the *Provincial Account No. II* by additions to or subtractions from, the *allotment from the Imperial Treasury for Provincial Services.* Thus, if the Imperial Treasury makes a grant to a Local Fund, the amount will be added to the *Provincial Allotment* and, on the opposite side of the *Provincial Account No. II*, to the "*Contributions to*

All contributions from the Imperial Treasury to Local Funds or *vice versâ* should be effected by additions to or subtraction from the "allotment from the Imperial Treasury for Provincial Services."

LXXIX— continued.

Local Funds," with a corresponding entry in the *Local Funds' Account No. III* under "*Contributions from Provincial Funds:*" *vice versâ*, any contribution from a Local Fund to the Imperial Treasury will appear in the *Local Funds Account No. III* under "*Contributions to the Provincial Treasury*," and in the *Provincial Account No. II* "*Contributions from Local Funds*," the *allotment* being subjected to a corresponding reduction.

27. It will be necessary for each Accountant-General, and Deputy Accountant-General in independent charge, for his own province; and for the Comptroller-General, for the treasuries in direct account with him, to prepare separate yearly statements, as follows, to show how the amounts due to or from each Provincial Treasury under its quasi-contracts with the Imperial Treasury are calculated:—

Enumeration of the annual estimates and accounts to be submitted by the Account Department.

(A) *The allotment from the Imperial Treasury for Provincial Services.*

In this statement must be recorded every addition to the *allotment*, or reduction thereof, with the proper authority for each entry.

(B) *The contributions from the Provincial Treasury to the Imperial Treasury for Productive Public Works.*

In this statement must be shown—

(1) the Imperial Capital Expenditure on Productive Public Works in the province to the end of the last complete year, on which capital four and a half per cent. must be contributed;

(2) the same expenditure during the current year, on which two and a quarter per cent. must be contributed;

(3) in case the Imperial Treasury has any claim upon the profits from these works, the share of such profit so due, as provided by the contract with the Imperial Treasury in each case.

(C) *Imperial share of Provincial Revenues.*

(D) *Contributions for Famine Insurance.*

These two statements must contain the data necessary to determine the contributions due from each Government under its contract with the Imperial Treasury. LXXIX—continued.

(E) *Stamps and Stationery supplied to each Government from the Imperial Stores.*

The particulars for entry in this statement must be obtained from the Superintendents of Stationery.

(F) *Any other contributions to the Imperial Treasury.*

28. In future, each Accountant-General, and Deputy Accountant-General in independent charge, will submit, with his annual estimates, accounts and estimates of A, B, C, D, E, and F as thus prescribed; and also four separate abstract accounts and estimates of the Imperial, Provincial, local and combined revenues and expenditure, as ordered in paragraph 8.

29. The instructions contained in this resolution will involve a modification of the form of Abstract III appended to the Financial Statement for 1878-79, as follows:—

(1) *Interest on Debt* in that abstract will no longer be in italics, but, as an ordinary service head, in Roman letters, at present the only entries under it will be the interest paid from provincial revenues upon provincial debenture loans, or other like loans, such as the Mathura-Hatras Railway Loan.

(2) The transfer heads specified in paragraph 13 will all be placed together, immediately above the *totals.*

(3) If necessary, a head, *Productive Public Works*, will be introduced above the total, under which will be entered any expenditure from provincial resources on productive public works.

(4) The abstract will be replaced by two abstracts, *viz.*:—

Revenue and Expenditure of the Provincial Governments and Administrations,

and

Revenue and Expenditure, and Receipts and Disbursements, of Local Funds.

Each of these abstracts will open and close with a balance.

LXXIX—concluded.

The orders contained in this Resolution do not affect contributions from Imperial, Provincial, or Local funds, in aid of Excluded Local Funds.

A contribution to such funds must be recorded as expenditure under the head appropriate to the object of the contribution, and contributions from such funds must be shown under the head "Miscellaneous."

30. None of the orders contained in this resolution affect contributions from Imperial, provincial, or local resources, in aid of any of the excluded funds specified in paragraph 22, the transactions of which are not incorporated in the *general accounts;* or *vice versâ*, to contributions from any such excluded fund in aid of the Imperial, provincial, or local resources. A contribution to such funds must be recorded as expenditure, under the head appropriate to the object of the contribution, in the Imperial, provincial, or local funds' account, *Nos. I, II, or III*, as the case may be, and so in the *general account No. IV:* and contributions from such funds must be shown in the same accounts as *revenue* under the head "*XXI. Miscellaneous*," unless some other specific head appears more suitable.

Nor do these orders refer to transactions between one Incorporated Local Fund and another.

31. Nor do these orders refer to transactions between one incorporated local fund and another: in respect to such transactions, no fresh instructions are needed.

ORDERED, that this resolution be distributed for information and guidance as follows:—

(1) To the Home, Revenue, and Public Works Departments of the Government of India.

(2) To the several Local Governments and Administrations, whose attention should be specially invited to paragraphs 17 to 21.

(3) To the Comptroller-General, who should issue any supplementary instructions that may appear to him necessary, and report whether any action by the Government of India is necessary under paragraphs 17 to 21 in respect to the provinces not administered by any Local Government.

(4) And to the several Accountants-General and Deputy Accountants-General in independent charge, who should take action under paragraph 21 without delay.

Nos. 825—37A—G, dated Fort William, the 17th December 1878. **LXXX.**

RESOLUTION—By the Govt. of India, Public Works Dept.

Revised classification of receipts and outlay in Budgets and Accounts of Irrigation Works and of State Railways.

Read the following papers:—

Despatch from the Secretary of State, No. 310A (Financial), dated 27th September 1877.

Despatch from the Government of India in the Financial Department, to the Secretary of State, No. 116F, dated 18th March 1878.

Resolution by the Financial Department, No. 1911, dated 18th March 1878.

Resolution by the Financial Department, No. 2717, dated 31st August 1878.

In conformity with the changes introduced in the Financial Accounts, a revision must be made of the mode under which outlay on Productive Public Works is exhibited.

2. What has heretofore been called "Extraordinary" expenditure is now to be designated "Capital Productive Public Works," on which the outlay is to be restricted to that for which the Government will, if necessary, borrow money; and the remaining charges for those Productive Public Works, instead of being all estimated as "Ordinary," are to be divided under two heads—

Ordinary Public Works, and

Ordinary Productive Public Works.

The term Extraordinary as applied to "Productive Public Works" disused; such works being now classified under the three heads, "Capital Productive Public Works," "Ordinary Public Works," and "Ordinary Productive Public Works."

3. The charges that are to be debited under "Ordinary Public Works" are to be restricted to those portions of the *Capital* Outlay on them which are borne by Ordinary Revenues.

Charges under "Ordinary Public Works."

The charges to be debited as "Ordinary Productive Public Works" will include—

Charges under "Ordinary Productive Public Works."

I.—Expenses of working and maintenance.

II.—Interest on Capital cost charged under the head of Capital Productive Public Works.

LXXX— continued.

Headings in the estimates for Productive Public Works.

The entries accordingly in the estimates for Productive Public Works will be grouped under—

Ordinary Public Works,
Ordinary Productive Public Works,
Expenses of working and maintenance,
Interest,
and
Capital Productive Public Works.

Definition of "Productive Public Works."

4. Only those works are to be dealt with as Productive Public Works, *sanction to which as such has been specifically intimated by the Government of India.*

Productive Public Works to be estimated and accounted for under two heads "Irrigation and State Railways."

5. Productive Public Works are to be estimated and accounted for under two heads—

Irrigation, and
State Railways.

These budget heads will not include any Irrigation Works or State Railways that are not specifically classed as *Productive Public Works.*

6.* Such State Railways as are *not* Productive Public Works will be estimated under "Other Services—Communications." All irrigation works that are *not* Productive Public Works, *and all other Agricultural works*, will be entered in the budget under the head *Agricultural.*

And the outlay under the head Agricultural will include the following, and will be grouped accordingly:—

1.—Agricultural and Irrigation works for which Capital and Revenue Accounts are not kept.

2.—Capital of those Irrigation works for which Capital and Revenue Accounts are kept, but which are not classed as Productive Public Works.

3.—Revenue outlay of the latter.

7. The revenue of Productive Public Works, *viz.* Irrigation and State Railways, will be entered in the budgets of those works. In the case of Irrigation works the indirect revenue will be shown in their budgets, but separately.

* The orders contained in this paragraph have been modified by Public Works Department Resolution Nos. 409-20A—G, dated the 9th September 1879, printed at page 244 of this selection.

8.* The revenue from other remunerative works, *e.g.* Agricultural, will be shown in the budgets to which those works belong. **LXXX—concluded.**

9. These distinctions apply to Provincial as well as to Imperial works.

No. 1344, dated Fort William, the 19th March 1879. **LXXXI.**

RESOLUTION—By the Government of India, Financial Dept.

READ again—

Resolution No. 3667, dated 26th October 1878.

RESOLUTION.—The attention of the Comptroller-General and of all Accountants-General and Deputy Accountants-General in independent charge is invited to the several changes of form introduced into the Abstract Statements which accompany the Financial Statements published with Resolution No. 1249, dated 13th March 1879.

Estimates and accounts to be prepared in precise accordance with the abstracts accompanying the Financial Statement for 1879-80.

2. Subject to any orders to the contrary which may be received from the Secretary of State, the Accounts and Estimates of British India, and of each Presidency and Province of British India, will in future be prepared in precise accordance with these Abstracts.

3. In the detailed Estimates it will be convenient, in place of the double columns now used, to arrange, under each head, the Imperial items first, then the Provincial items, and then the Local items; each separate category being carefully headed "IMPERIAL," "PROVINCIAL" or "LOCAL," as the case may be.

4. But when, as in the new arrangements with BURMA and ASSAM, Revenue and Expenditure is *joint—i.e.*, divided in fixed proportions between the Imperial and Provincial Treasuries, double columns will be more convenient. In such cases there should be double columns for the Regular Estimates as well as for the Budget Estimates.

The Accounts I, II, III, and IV prescribed in paragraph 8 of Resolution No. 3667, dated 26th October 1878,

5. The Accounts I, II, III and IV, prescribed in paragraph 8 of Resolution No. 3667, dated 26th October 1878, may henceforth be combined in a single statement in the form of ABSTRACT STATEMENT No. III, appended to the Financial Statement, with four columns for the Accounts,

* The orders contained in this paragraph have been modified by Public Works Department Resolution Nos. 409-20A—G, dated the 9th September 1879, printed at page 244 of this selection.

LXXXI—continued.

superseded by a single statement in the form of Abstract Statement No. III appended to the financial statement for 1879-80.

four for the Budget Estimates of the current year, four for the Regular Estimates, and four for the Budget Estimates of the coming year—namely, a column for the Imperial items, a column for the Provincial items, a column for the Local items, and a column for the Totals. As explained in paragraph 23 of the Financial Statement, the exhibition of transfer heads will be to a large extent obviated by this form, a simple transfer from one column to the other being substituted.

Head VI, Provincial Rates, to include only rates and cesses upon the land

6. The distribution in the Regular Estimates of the various items abstracted from VI, PROVINCIAL RATES, in order to leave under that head only rates and cesses upon the land, is detailed in paragraph 56 of the statement. That distribution, and the classification of the Local Fund items of expenditure, is not final in all its details; further instructions will be issued upon this point by the Comptroller-General.

Enumeration of the accounts and estimates for the compilation of which the Accountant-General, Public Works Department, will be responsible.

7. Some inconvenience has resulted this year from the Provincial and Local Fund Estimates of Public Works Revenue and Expenditure not reaching the Accountant-General in the Public Works Department early enough. In future the Government of India, in the Financial Department, will look exclusively to the Accountant-General, Public Works Department, to compile all the Accounts and Estimates, Provincial, Imperial and Local, under the following heads:—

XXIV & 31, *Public Works Ordinary.*
XXV & 32, *Irrigation and Navigation.*
XXVI & 33, *Guaranteed Railways.*
XXVII & 34, *State Railways.*
XXVIII & 35, *Madras Irrigation and Canal Company.*
39, *Productive Public Works (Capital Expenditure).*

These estimates and accounts to be furnished in the form annexed to this Resolution

8. The Accountant-General, Public Works Department, will compile the Accounts and Estimates under each of these heads by Presidencies and Provinces, dividing them into IMPERIAL, PROVINCIAL, and LOCAL in the form annexed to this Resolution; and he will also furnish accounts and estimates, in the same form, of the portions of the whole Revenue and Expenditure recorded under these heads which appertain to works which have been treated in the accounts as *Productive Public Works*, and which must therefore be entered in the separate schedule at foot of ABSTRACT STATEMENT

No. H. The Accountant-General, Public Works Department, will also obtain and furnish the Accounts and Estimates of the land revenue attributed to these works and of the interest on their capital cost, for entry in the same schedule, The rate of interest is fixed for the present at four and-a-half per cent., and it must be calculated upon the whole capital cost of the work, including any portion which may be shown in the Accounts as Ordinary Expenditure. In the same way the Accountant-General, Public Works Department, must report the whole capital cost of the works which are the subject of these separate accounts, including any Ordinary Expenditure upon them. **LXXXI—continued.**

9. He will also report the interest payable by each Provincial Government to the Imperial Treasury on the Capital Expenditure upon Provincial Productive Public Works, bearing in mind that the interest is to be reckoned on Imperial Ordinary Expenditure on the works, as well as on such expenditure recorded under 39, *Productive Public Works*, but not on any Provincial expenditure, whether Ordinary or Excluded, and shown under 39, *Productive Public Works*. All Provincial expenditure on such works may in future be treated as Ordinary.

The Accountant-General to report the interest payable on the Capital Expenditure upon Provincial Productive Public Works.

All Provincial expenditure on "39, Productive Public Works," to be treated as Ordinary.

10. The Accountant-General, Public Works Department, will also report the share of the Revenue from canals belonging to the Imperial Government in the North-Western Provinces and Oudh, and any like share of revenue which may hereafter be reserved elsewhere.

11. The Accountant-General, Public Works Department, will also supply yearly statements in the form of Tables V, VI, VII and VIII of Appendix B, showing the Accounts and Estimates of the Guaranteed Railways, of the Madras Irrigation Company, and of the Capital expenditure on Productive Public Works, including in future any such expenditure treated in the Finance and Revenue Accounts as Expenditure Ordinary; and, in the form of Table IX of the Revenue and Working expenses of the several State Railways, and (a fresh Table No. X) of Canals. In these Tables V to X the figures of past years will be retained, so long as there is room for them. Loss or Gain on capital transactions with the Guaranteed Companies in

Further accounts and estimates required to be prepared by the Accountant-General, Public Works Department.

LXXXI—continued.

Tables V and VI will be the difference between the actual rupees received or paid in India, in respect of which particular sterling sums must, under the contracts, be credited or debited to the Companies in London, and the rupees which would be received or paid in India for these same sterling amounts at the average rate of exchange obtained for the Secretary of State's Bills during the year.

12. In compiling these Accounts and Estimates, the Accountant-General, Public Works Department, should take care that his local subordinates prepare their figures in close communication with the Local Governments and Financial officers.

The Local Account Department to enter in their accounts and estimates the Provincial and Local figures under the Public Works Department heads only *pro formâ* so as to calculate the Provincial and Local balances.

13. The Local Accountants-General and Deputy Accountants-General will in future enter in their Accounts and Estimates the Provincial and Local figures under these heads only *pro formâ*, so also to calculate the Provincial and Local Balances. The Government of India will ultimately accept these Estimates and Accounts exclusively upon the responsiblility of the Accountant-General, Public Works Department.

14. The Local Governments should give this officer every assistance in the preparation of these documents, and should take care that the figures reach him in good time.

LXXXI—concluded.

Form of estimates to be prepared by the Accountant-General, Public Works Department, in accordance with this Resolution, and submitted to the Financial Department by the 20th February each year

	Actuals, past year.				Budget Estimates, current year.				Regular Estimates, current year.				Budget Estimates, coming year.			
	Imperial.	Provincial.	Local.	Total.	Imperial.	Provincial.	Local.	Total.	Imperial.	Provincial.	Local.	Total.	Imperial.	Provincial.	Local.	Total.
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
India (General and Political) ...																
Central Provinces																
Burmah																
Assam																
Bengal																
North-Western Provinces and Oudh																
Punjab																
Madras																
Bombay																
Total ...																
England																
Grand Total ...																

There will be 20 returns in this form, *viz.*, 11 (eleven) as prescribed in paragraph 7, seven as prescribed in paragraph 8, one as prescribed in paragraph 9, and one as prescribed in paragraph 10.

LXXXII. Nos. 409-20A.—G., dated Simla, the 9th September 1879.

RESOLUTION.—By the Govt. of India, Public Works Dept.

READ—

Public Works Department Resolution Nos. 825-37A—G., dated 17th December 1878.

OWING to the more recent orders* on the subject, it has become necessary to modify the Public Works Department Resolution above noted to the following extent:—

* Public Works Department circular No. 56 of 1879. Tables appended to the Financial statement for 1879-80.

Outlay on State Railways which have not been classed as Productive Public Works shall be recorded under "State Railways." Works pertaining to the Irrigation Branch not admitted as Productive Public Works, and not classed as Agricultural Works, shall be recorded under "Irrigation and Navigation."

Para. 6.—Outlay on State Railways which have not been classed as Productive Public Works will in future be recorded not under "Other Services—Communications," but under their own head "State Railways." Further, works pertaining to the Irrigation Branch, similarly not admitted as Productive Public Works, and not classed as *Agricultural* Works, will be recorded under the head of "Irrigation and Navigation."

The revenue from remunerative works other than Productive Public Works recorded under Irrigation and State Railways, *e. g.*, Agricultural, and Irrigation and Navigation, should be shown in the budgets to which those works belong.

Para. 8.—After "Agricultural" add "and Irrigation and Navigation."

LXXXIII. HERE read—

Resolution by the Government of India, Finance and Commerce Department, No. 2819, dated 27th September 1879.

Resolution by the Government of India, Finance and Commerce Department, No. 1856, dated 10th December 1879.

Letter from the Irrigation Branch, Public Works Department, to the Financial Department Government of Bengal, No. 369IA, dated 19th January 1880.

Printed at pages 206-213.

Nos. 110—22A—G., dated Fort William, the 4th March 1880. **LXXXIV.**

RESOLUTION.—By the Govt. of India, Public Works Dept.

Review of the Budget Estimates of "Military Works" and "Other Services" for 1880-81.

Read the following papers—

* * * * * * *

Three classes of transactions recorded at present under the Public Works headings.

The figures recorded under the Public Works headings in the published financial statements of the Government of India include revenue and expenditure of Officers of the Department, of Civil Officers acting as Public Works disbursers, and certain Public Works receipts and charges of Civil Officers incurred without reference to the Public Works Department.

The transactions of the last mentioned class must in future be recorded in the Civil Accounts under "Public Works in charge of Civil Officers" subordinate to "Public Works."

2. Under this latter category are Public Works ferry and road receipts, charges collected and paid on account of Local Funds by Civil Officers quite apart from the Public Works Department, cemetery receipts and charges collected and paid by Civil Officers. In these cases the transactions will in future be distinctly recorded in the Civil accounts under a separate descriptive head subordinate to "Public Works," viz., "Public Works in charge of Civil Officers."

Items of petty construction and repair hitherto dealt with as Civil Charges will be adjusted wholly in the Civil Accounts.

3. Items of petty construction and repair, which have hitherto been dealt with as Civil charges, will be adjusted wholly in the Civil accounts, and will not be brought into the Public Works Department estimates and accounts.

The budget estimates of the Local Public Works authorities, shall, with effect from 1880-81, embrace only transactions by officers of the Department and Civil Officers acting as Public Works disbursers.

4. The Public Works budget estimates of Local Governments and Administrations have not followed any uniform procedure in this matter, and it is now desired by the Government of India that, with effect from the budget estimates of 1880-81, the estimates of the Local Public Works authorities should embrace only transactions of the first two classes mentioned above.

LXXXIV —concluded.

The figures for the remaining and third class of transactions enumerated in paragraph 2 will be advised by the Civil Accountant-General to the Accountant-General, Public Works Department, by whom they will be communicated to the Financial Department.

5. As to transactions of the third class, the items will be recorded in the Civil estimates of the Local authorities; and they will be advised by the Civil Accountants General to the Accountant General, Public Works Department, by whom they will be communicated to the Financial Department.

6. The accounts will follow the estimates. The Local Public Works Department will, from 1st April 1880, take no cognizance of the Public Works receipts and charges by Civil Officers such as enumerated in paragraph 2.

7. The Public Works budget estimates for 1880-81 for Provincial and Local Incorporated Funds should be framed for the figures accepted by the Government of India in the financial statement for 1880-81; in preparing these estimates the transactions relating to the Public Works receipts and charges by Civil Officers, entered in the Civil estimates and accounts under "Public Works in charge of Civil Officers," and obtained by the Accountant-General, Public Works Department, from the Civil Account Department should be omitted.

* * * * * * *

LXXXV. HERE read—

Letter from the Government India, Department of Finance and Commerce, to the Government of Bengal, Financial Department, No. 404, dated 8th May 1880, for which see pages 215 and 216.

LXXXVI.

Extract from Financial Statement for 1882-83.

Change in the form of accounts.—Paragraph 2. I have one further preliminary observation to make in explanation of a change in the form in which the accounts and estimates are presented. Exception has been taken to the system heretofore adopted, under which the amounts by which any

LXXXVI —concluded.

of the Provincial Governments exceeded their revenue, and consequently drew on their balances, were credited as revenue of the Imperial Government under the head of Provincial and Local Deficits. For the future the head of Provincial and Local Deficits, as well as that of Provincial and Local Surpluses, will appear on the debit side of the account, immediately below the total of "Ordinary Expenditure." The excess expenditure taken against accumulated balances, and the short expenditure resulting in a further accumulation, will be respectively deducted from and added to the "ordinary expenditure" against Imperial Revenues This system has been carried out in the accounts of the year 1880-81, and in the estimates for 1881-82 and 1882-83. The effect will be that both the revenue and expenditure will be reduced by the sum now included in revenue as provincial and local deficits, but the surplus or deficit of the year will be exactly the same as under the former method.

The head of Provincial and Local Deficits, as well as that of Provincial and Local Surpluses, will appear on the debit side of the account, immediately below the total of "Ordinary Expenditure."

LXXXVII.

No. 470, dated Simla, the 20th April 1882.

RESOLUTION.—By the Government of India, Department of Finance and Commerce.

THE Governor-General in Council has resolved to publish with the annual Finance and Revenue Accounts of the Government of India a Statement showing the Receipts and Expenditure of all Municipalities as well as of all Excluded Local Funds which are on the books of the Accountants-General, in order that a complete account of the whole income and expenditure connected with the administration of the country may be readily available from one source.

Directing the annual publication of a statement showing the receipts and expenditure of Municipal and Exoluded Local Funds.

2. This statement will not form an integral part of the combined Accounts of the Empire under the three heads of "Imperial," "Provincial" and "Local," as they have been hitherto prepared, but will only be in the nature of an Appendix intended to supplement the information contained in the Accounts; and the responsibility for the correctness of the statement will lie with the local authorities entrusted with the management of the Municipal and other Funds in question.

This statement to be in the nature of an Appendix to the combined accounts of the Empire under the three heads of "Imperial," "Provincial" and "Local," and the local authorities entrusted with the management of the Funds to be responsible for the correctness of the statement.

LXXXVII
—continued.

The accounts of Municipalities to be in the form given in the Appendix to this Resolution

3. The accounts of Municipalities will be in the form given in the Appendix to this Resolution, and there will be no difficulty in preparing them, as, under instructions from Her Majesty's Secretary of State, the Municipalities have already to furnish to the Local Governments almost the same information for submission to the Government of India in the Home Department. All these Accounts are now made up for the official year except only those for the Municipalities of Calcutta and Bombay, and the Corporations of these cities have been requested to conform to the general practice.

The Local Governments to consolidate these Accounts into one statement which should reach the Comptroller-General not later than the 30th November.

4. The Local Governments will consolidate these Accounts into one statement for each Province, and transmit it direct to the Comptroller-General, so as to reach him not later than the 30th November of the year succeeding that to which they relate, for inclusion in the Finance and Revenue Accounts of the year.

The Comptroller-General to issue further appropriate instructions for the submission of statements of the Excluded Local Funds

5. The Comptroller-General will issue further appropriate instructions to the several Accountants-General for the submission of statements of the Excluded Local Funds, which should contain sufficient details of the sources of income of each Fund and of the character of the expenditure incurred therefrom.

The Accounts of Municipalities and of the Excluded Local Funds to be collected together into one statement, to be called 2 (*b*).

6. The Accounts of Municipalities and of the Excluded Local Funds will be collected together in one statement, to be called 2 (*b*), which will be inserted in its proper place in the Finance and Revenue Accounts.

The Comptroller-General to prepare a statement 2 (*a*), showing in detail for each Province the distribution of the revenue and expenditure under the three heads "Imperial," "Provincial" and "Local"

7. The Comptroller-General will also prepare a statement, to be called 2 (*a*), showing in detail for each Province the distribution of the revenue and expenditure at present included in the General Accounts under the three heads "Imperial," "Provincial" and "Local" on the lines of No. III of the statements published with the Financial Statement of the Government of India.

8. The Governor-General in Council desires that Local Governments will take immediate measures for the submission of the statements for the year 1881-82, in order that they may appear in the Finance and Revenue Accounts of that year.

LXXXVII —continued.

§ The Municipal Budget Estimates, which are at present submitted to the Government of India in the Department of Finance, will be no longer required.

The Municipal Budget Estimates at present submitted to the Department of Finance will be no longer required.

ORDERED, that this Resolution be communicated to the Home Department for information, and to the several Local Governments and Administrations, and to the Comptroller-General for information and for the issue of further necessary orders.

R. LOGAN,

Offg. Under-Secy. to the Govt. of India.

LXXXVII —continued.

ANNUAL ACCOUNTS OF THE

Accounts of Receipts and Disbursements for the

Appendix referred to in paragraph 3 of the Resolution.

RECEIPTS.	Deposits. Actual Municipal Balance.			Rs.	A.	P.
By Balance in hand at the close of last year.						
Revenue.						
	Rs.	A.	P.	Rs.	A.	P.
(*A*).—*Municipal Taxes*—						
1. Octroi.						
2. Assessed Taxes						
(*e.g.*, Conservancy Cess, Licenses on Trades, &c., in the following details)						
Arrear collections for the previous year						
Collections for the current year						
Penalties						
3. Tax on Houses and Lands						
4. Tax on Vehicles						
5. Tax on Animals						
6. Tolls, &c.						
(*B*). -*Miscellaneous Receipts*—						
1. Realisations under special Acts						
2. Proceeds of Land, &c.						
Income derived from Markets, &c.						
(Rents, fees, sale of refuse, &c.)						
4. Conservancy and Road-clearing						
(Fees, sale proceeds of night-soil, street refuse, &c.) ...						
5. Municipal Fines						
6. Sundries						
(Rents of Municipal lands, Governments Grants, Receipts from Public gradens, &c.)						
(*C*).—*Debt*—						
1. Loans						
2. Deposits						
(Contractors, salaries unpaid, &c.)						
3. Advances						
GRAND TOTAL						

MUNICIPALITY.

LXXXVII —concluded.

year ending 31*st March* 188

DISBURSEMENTS.						Rs.	A	P.
EXPENDITURE.	Rs.	A.	P.	Rs.	A.	P.		
(*A*).—*General Establishment*—*								
1. (Office Establishment, Inspection, Honorary Magistrate's Establishment, &c.)								
2. Collection of Municipal Taxes (Establishment, purchase of account books and paper money-boxes, repair to outposts, &c.)								
(*B*).—*Public Safety*—								
1. Fire (Establishment, purchase of fire-engine, buckets, repairs, &c.)								
2. Lighting (Establishment, purchase of lamps, oil, repairs, &c.)								
3. Police (Establishment, purchase of clothing, lauterns, &c., repairs to outposts, &c.)								
(*C*).—*Public Health*—								
1. Buildings and other works ... ... (Erection of Slaughter-houses, Latrines, &c.)								
2. Repairs (to Market, Dispensary, &c.)								
3. Maintenance of Medical Institutions ... ... (Dispensary Establishment, purchase of medicines, &c.)								
4. Vaccination (Establishment)								
5. Water-works (Establishment, repairs)								
6. Road-watering (Establishment, purchase of water-carts, repairs, &c.)								
7. Road-cleaning (Establishment, purchase and repair of dust bins, &c.)								
8. Conservancy (Establishment, repairs, purchase of carts, dry earth, land for burying night-soil, &c.)								
Refund, &c., of fines or over-assessment								
Remissions of cess								
9. Drainage-works (Establishment, repairs)								
10. Other measures								
(*a*) Markets and Slaughter-houses. (Establishment, contingencies)								
(*b*) Public garden. (Establishment, purchase of seeds, repair of well, purchase of bullocks, &c.)								
(*D*).—*Public Instruction*—								
Contributions to Schools								
(*E*).—*Public convenience*—								
1. Public works (Establishment)†								
(*a*) New works								
(*b*) Repairs								
2. Survey of land								
3. Other charges (Printing, rewards, &c.)								
(*F*).—*Debt*—								
1. Loans (Instalment payable during the year)								
Interest ... ... { Last year ... / Current year ...								
2. Deposits (salaries attached, contractors, &c.) ...								
3. Advances (on account of Departmental works, &c.)								
Closing Balance								
Deposits								
Actual Municipal Balance								
GRAND TOTAL ...								

Memorandum of Liabilities and Claims.

Liabilities—						
Balance of Loans						
Deposits to be adjusted...						
Claims—						
Advances recoverable						
Net amount of debt						

It must be clearly understood that under this head only such establishments are to be shown as cannot be properly shown under any of the other heads. Wherever there is a special establishment for a particular purpose only, it should be shown under the head to which that purpose belongs and not under the head of General Establishments.

† If the Public Works Establishment be employed partly upon works connected with any of the other heads, the share of the charges debitable to those heads should be shown under those heads, and not under (E).

LXXXVIII. INTEREST ON CAPITAL EXPENDITURE.

No. 626IA, dated Fort William, the 12th February 1879.

From—H. C. LEVINGE, Esq., Joint-Secy. to the Govt. of Bengal in the Public Works Dept., Irrigation Branch,

To—The Secy. to the Govt. of Bengal, Financial Dept.

I AM directed to forward, for consideration in the Financial Department, the accompanying note* by the Examiner of Public Works Accounts on certain financial arrangements connected with the Irrigation Branch, together with copy of a note, dated the 6th instant, by the Chief Engineer, expressive of his views on the subject.

* Dated 16th November 1878.

Note by Mr. F R. Boyce, containing certain suggestions for relieving the Bengal Government partially, if not wholly, of interest charges connected with Irrigation works.

Note by MR. F. R. BOYCE, *Examiner, Public Works Accounts, on certain financial arrangements connected with the Irrigation Branch—dated the 16th November* 1878.

I BEG to submit for consideration the question as to why the local Government should pay interest upon the outlay incurred on the three abandoned projects known as the Tirhoot, Hooghly, and Damoodur projects. I am not aware of any reason why such interest should be paid, beyond the fact that it is understood that by the arrangements made in the early part of 1877 between His Honor the Lieutenant-Governor and the Imperial Government, the former took upon himself the responsibility for paying the interest and deficit revenue of the six irrigation works for which capital accounts had been then opened. The six projects for which capital accounts have been opened were those known as—

1. The Orissa.	4. The Tirhoot.
2. ,, Midnapore.	5. ,, Hooghly.
3. ,, Sone.	6. ,, Damoodur.

2. Nos. 1 to 3 are projects which have been carried out to an extent which yield some amount of revenue and affords some prospect of an eventual return of profit. Nos. 4 to 6 are works on which a mere preliminary expenditure has been incurred, bearing but an infinitesimal proportion to the entire outlay necessary to carry them on to completion, or even to a state to yield any revenue whatever.

LXXXVIII —continued.

3. Up to the end of March 1877, the date from which the arrangement as to payment of interest came into effect, the capital outlay on these projects was—

No.			Rs.
1.	Orissa Project	...	1,77,80,902
2.	Midnapore „	...	88,35,678
3.	Sone „	...	1,90,85,040
	Total	...	4,57,01,620
4.	Tirhoot Project	...	5,34,907
5.	Hooghly „	...	1,42,959
6.	Damoodur „	...	1,59,502
	Total	...	8,37,368
	GRAND TOTAL	...	4,65,38,988

4. The sources from whence the funds had been provided for these works were—

	Rs.
For works Nos. 1, 2, and 3—	
Ordinary, that is, from the General Revenues of the State	7,72,817
Extraordinary, that is, from loan	4,49,28,803
Total ...	4,57,01,620
For works Nos. 4, 5, and 6—	
Ordinary	8,37,368
Total ...	8,37,368
GRAND TOTAL ...	4,65,38,988

5. Looking at the matter as it stands between the Imperial and the Provincial Governments, it would appear that all that the former can look for from the latter, until these works are paying a clear surplus revenue, should be the interest on money actually borrowed. But when these works, or any of them, clear their charges including interest, and yield a net profit, then the Government of India might fairly look to share in such profits.

LXXXVIII —continued.

6. In this view of the case the Government of Bengal, instead of paying interest on the total amount of the Rs. 4,65,38,988 expended up to the 31st March 1877, would be called on to pay interest on Rs. 4,49,28,803 only, as on that date.

7. But it might be argued on behalf of the Government of India that it matters little to the local Government of the present day as to the source from whence the money outlayed was obtained in former years. Works to a certain extent forming part of what will eventually be remunerative whole have been handed over to the Provincial Government, and the Imperial Government may therefore look for a fair return in the way of interest without reference to the source from whence the funds were originally obtained. The undertakings may be looked upon as primarily of a merely commercial character, and this is a purely commercial view of the question as between the two Governments. This view of the matter might perhaps be conceded by the local Government so far as the works Nos. 1 to 3 are concerned, on the understanding which will be referred to in the subsequent paragraphs of this memorandum.

8. As regards the works Nos. 4 to 6, however, the case is different. These works certainly cannot be considered as remunerative, or as ever likely to be so any more than many of the numerous surveys that have been undertaken in various parts of the province. They have been altogether paid for from the ordinary revenue of the year, realized, it may be said, in this province, and the expenditure so incurred is practically far less productive than that expended on roads, embankments, and other works constructed from General Revenue, for which the Government of India do not look to the local Government to make any return. Therefore, as a mere matter of equity between the two Governments, there appears to be no reason why the Provincial Government should for ever have to pay interest on this unproductive outlay.

9. Allowing, however, that the Imperial Government might hold the local Government to its bargain, though it was perhaps made without a full knowledge of the particulars of the case as regards these works, it is suggested that the local Government would improve its position by paying off this capital outlay from its balance whenever

funds may be available, and thus setting free its future revenue. **LXXXVIII** —continued.

10. As regards the future, it would appear to be desirable that all irrigation expenditure should be considered as a Provincial Service charge, an arrangement being made with the Imperial Government for a fixed assignment to be made over to Provincial Service, equal to the average outlay of past years, from ordinary funds, as has been done in the case of all other ordinary Public Works expenditure.

11. It would then rest with the Provincial Government to expend such an amount on irrigation works as it considered proper with reference to other demands upon its resources, as it does in the case of other public works. Thus all charges for ordinary irrigation works, *i.e.* those for which no capital accounts are kept, would be met from the Provincial Service Grant; any *further amount* required for productive works approved by the Government of India being met by advances to be made by that Government, upon which interest would be payable.

12. The amount which has been charged to the Imperial Government for ordinary irrigation expenditure during the last ten years is as below, as also the receipts during that period:—

Year		Ordinary irrigation receipt.	Ordinary Irrigation Outlay.	
			On works for which capital accounts are kept.	On works for which no capital accounts are kept.
		Rs.	Rs.	Rs.
1868-69	...	15,246	4,70,923	9,74,474
1869-70	...	3,105	85,389	11,56,522
1870-71	...	4,416	36,499	10,16,787
1871-72	...	7,219	2,42,952	6,86,309
1872-73	...	1,923	5,217	6,70,870
1873-74	...	48,044	77,439	6,47,911
1874-75	...	5,499	2,88,798	8,37,960
1875-76	...	34,199	2,35,898	5,28,721
1876-77	...	70,330	1,11,935	4,21,090
1877-78	...	4,924	34,617	4,81,848
Total	...	1,94,905	15,89,667	74,22,492
Average	...	19,490	1,58,967	7,42,249

LXXXVIII —continued.

13. The net amount to be added to the "Provincial Service Grant," in consideration of the additional service thus thrown on the local Government, might perhaps be accepted at somewhat below the average above shown, when it is borne in mind that there has been during the above period much abnormal outlay in the way of surveys, &c., which need not be repeated. Perhaps a net assignment of Rs. 7,50,000 would be a fair equivalent.

14. This arrangement, if made, would admit of the simplification of matters as to budget estimates and accounts, and the local Government would have full control over its irrigation expenditure, and correspondence would be decreased.

Note by Mr. H. C. Levinge, commenting on the above note by Mr. Boyce.

Note by H. C. LEVINGE, ESQ., *Chief Engineer, Bengal, Irrigation Branch, on financial arrangements connected with the Irrigation Branch, dated the 6th February* 1879.

THE accompanying note by the Examiner of Public Works Accounts is deserving of very careful consideration.

It appears that the Government of Bengal is now paying interest amounting to Rs. 72,454 per annum on Rs. 16,10,185 to the Government of India for money which that Government did not borrow, but which was assigned to the Government of Bengal from "Ordinary," *i.e.* from the revenue of the country.

Of this Rs. 16,10,185, the sum of Rs. 7,72,817 was granted in connection with the three great irrigation projects* for which the Government of Bengal should pay interest; but as the Government of India did *not borrow* this Rs. 7,72,817, it seems to me doubtful if the Government of Bengal should pay interest on it. Mr. Boyce, however, considers that if the question be treated as a commercial transaction between the two Governments, this point might be conceded (*vide* paragraph 7 of his note).

* Orissa. Sone. Midnapore.

The remaining Rs. 8,37,368 has been expended on three projects† which will probably never be carried out. The expenditure has been incurred mostly on survey works.

† Tirhoot. Hooghly. Damoodah.

I do not know if the Government of Bengal is pledged to pay the Government of India a certain fixed sum for

interest, irrespective of the source whence the capital was originally obtained, or whether interest is only to be paid on the amount borrowed. In the former case nothing more is to be said, though there is no reason why in this case the Bengal Government should not pay off the whole or part of the amount whenever money becomes available. In the latter case the payment of interest on Rs. 16,10,185 should be certainly discontinued, and the question arises whether *refund* of the excess amount already paid by the Bengal Government should not be claimed. **LXXXVIII —concluded.**

In paragraph 10, *et seq.*, of Mr. Boyce's note, he considers it advisable that all irrigation expenditure should be considered as a provincial charge. The Government of India in that case might be asked to grant from "Ordinary" a sum nearly equivalent to the average grants of the last ten years, which he shows to be 7½ lakhs. Any further amount which might be required would be borrowed from the Government of India, and interest on it would be paid as now. This would be a most desirable arrangement, as the Bengal Government could spend what they wished out of this grant on irrigation works, and, as Mr. Boyce points out, budget estimates and accounts would be simplified. The only drawback I see to this proposal, and it is a serious one, is that probably the Government of India would insist on the *whole* of the irrigation establishments being taken over, and it is known that this is enormously in excess of the requirements of the Irrigation Branch. I fear the Government of India would not agree to any reduction previous to transfer, supposing such could be effected.

No. 774, dated Calcutta, the 7th March 1879. **LXXXIX.**

From—D. BARBOUR, Esq., Offg. Secy. to the Govt. of Bengal, Financial Department,

To—The Secy. to the Govt. of India, Financial Department.

I AM desired to submit, for the consideration and orders of the Government of India, the following representation regarding the liability of the Government of Bengal to pay to the Government of India interest on money expended in the construction of public works classed as "ordinary."

Soliciting exemption of Local Government from payment of interest charges connected with Public Works classed as "Ordinary," inlouded in Statement of Accounts annexed to India's No 1801, dated 26th March 1877 (For Statement, *vide* pages 42 and 43 of this selection.)

LXXXIX —concluded.

2. The decision of the Government of India to enforce provincial responsibility for the financial results of works constructed at the public expense for local or provincial purposes, as explained in Sir John Strachey's speech in the Imperial Legislative Council on the 15th March 1877, was based on the consideration that the Imperial Government could not continue to accept an ever-increasing burden of interest on account of money expended on the construction of such works. In accordance with this principle, a local Government can only be held responsible for the financial results of works, the expenditure on which has been met from *borrowed* funds. No charge for interest could possibly fall on the Imperial Government on account of works constructed from revenue, and as the general revenues of the State are made up of the sums received as revenue from the various provinces, to make any demand on them on account of expenditure met from revenue would simply amount to charging them interest on funds which they had themselves provided. The arguments used in Sir John Strachey's speech above quoted, show that it was the intention of the Government of India to charge interest only on the cost of works classed as "extraordinary," and which are to a great extent constructed from borrowed money

3. In the statement of accounts, however, annexed to your letter No. 1801, dated 26th March 1877,* setting forth the contribution from provincial to imperial revenues on account of Irrigation works and State Railways in Bengal, interest was charged to the local Government on expenditure on "ordinary" as well as "extraordinary" works. The Lieutenant-Governor believes that works classed as "ordinary" have always been held to have been constructed, not from borrowed funds, but once for all from the general revenues of the State, and in this view of the case, I am to request that His Excellency the Governor-General in Council will now be pleased to order a revision of the statement which accompanied your letter No. 1801, dated 26th March 1877, and to direct that no charge for interest on money expended on public works classed as "ordinary" shall be made against the local Government with effect from 1st April 1877.

* *Vide* pages 40-43 of this selection.

No. 732, dated Simla, the 23rd May 1879. **XC.**

From—E. J. SINKINSON, Esq., Under-Secy. to the Govt. of India, Financial Department,
To—The Secy. to the Govt. of Bengal, Financial Dept.

Declining to re-open the settlement made in 1877 in regard to payment of interest charges on account of Irrigation Works and State Railways.

IN reply to your letter No. 774, dated the 7th March 1879, I am directed to state that by the arrangement made in 1877 the Government of Bengal was provided with the means of paying interest upon all the capital expenditure set forth in communications which preceded that settlement, and that the Government of India does not think it expedient to re-open that settlement on the ground now advanced.

No. 2010, dated Calcutta, the 23rd July 1879. **XCI.**

From—H. L. HARRISON, Esq., Offg. Secy. to the Govt. of Bengal, Financial Dept.,
To—The Secy. to the Govt. of India, Dept. of Finance and Commerce.

Asking for a statement showing how interest on the estimated capital expenditure of Productive Public Works in Bengal for the years 1878-79 and 1879-80 has been calculated at Rs. 34,98,000 and Rs 37,97,000 respectively.

IN the statement appended to your letter No 1503, dated the 31st March last, passing orders on the estimates of revenue and expenditure of Bengal for the year 1879-80, a sum of Rs. 37,97,000 is entered as the charge for *interest* on the capital expenditure of Productive Public Works. It also appears from a statement received from the Accountant-General that the regular estimate of this charge for the past year was fixed by the Government of India at Rs. 34,98,000. I am directed to request that, with the permission of His Excellency the Governor-General in Council, the Lieutenant-Governor may be furnished with the details of these amounts, showing the capital expenditure on which they were calculated, and the method of calculation. They are considerably in excess of the local estimates, which must apparently have been drawn up on incomplete data. I am to solicit the favour of an early reply to this communication.

XCII.

No. 2884, dated Simla, the 20th September 1879

Memo. from—J. E O'CONOR, Esq, Asst Secy to the Govt. of India, Department of Finance and Commerce,
To—The Secretary to the Government of Bengal, Public Works Department.

The Bengal Government exempted from the payment of interest on the Capital Outlay of the Tirhoot, Hooghly, and Damooda Projects

IN reply to office memorandum from the Public Works Department, No. 107AI, dated the 6th August 1879, the undersigned is directed to state that the Governments of Bengal and the North-Western Provinces are to pay interest on the capital outlay of all the works included in the Provincial contracts of 1877, excepting the Tirhoot, Hooghly and Damooda Projects in Bengal, which have since been transferred from the Provincial to the Imperial category, and such works in the North-Western Provinces as have since been abandoned.

XCIII.

No. 3043, dated Simla, the 30th September 1879.

From—J E O'CONOR, Esq., Assistant Secretary to the Govt of India, Dept. of Finance and Commerce,
To—The Secretary to the Govt. of Bengal, Financial Dept.

Forwarding the statement of interest on capital expenditure, asked for in Bengal Government letter No 2010, dated 23rd July 1879.

IN reply to your letter No. 2010, dated the 23rd July 1879, I am directed to foward copy of a statement showing how interest has been calculated on the estimated capital expenditure of Productive Public Works in Bengal for the year 1878-79 and 1879-80.

XCIII—
concluded.

	Actuals to end of 1877-78			Regular estimate 1878-79			Total to end of 1878-79			Budget estimate 1879-80		
	Capital Productive Public Works	Ordinary outlay on Productive Public Works	Total	Capital Productive Public Works	Ordinary outlay on Productive Public Works	Total	Capital Productive Public Works.	Ordinary outlay on Productive Public Works	Total.	Capital Productive Public Works.	Ordinary outlay on Productive Public Works	Total
	Rs	Rs.	Rs	Rs	Rs	Rs	Rs	Rs	Rs.	Rs	Rs	Rs
Irrigation ..	4,48,67,690	7,72,830	4,56,40,520	27,50,000	30,000	27,80,000	4,76,17,690	8,02,830	4 84,20,520	23 50,000	2,90,000	26 40,000
State Railway	2,58,32,740	17,22,850	2,75,55,590	64,90,000		64,90,000	3,23,22,740	17,22,850	3,40,45,590	12,51,000		12,51,000
Total	7,07,00,430	24,95,680	7,31,96,110	92,40,000	30,000	92,70,000	7,99, 40,430	25,25,680	8,24,66,110	36,01,000	2,90,000	38,91,000
Interest payable			@ 4½ per cent 32,93,824			@2½ per cent 2,06,575			Δ 35,02,399 @ 4½ per cent 37,10,974			@ 2½ per cent 87,547
Interest payable to end of 1879-80			..									B 37,98,521

N B—The figures adopted in the Financial Department are A, Rs 34,98,000 and B, Rs 37,97,000 These small differences arise from certain alterations made by the Public Works Department in the capital outlay figures

XCIV.

No. 808T, dated Darjeeling, the 21st October 1879.

From—H. L. HARRISON, Esq., Offg. Secy. to the Govt. of Bengal, Financial Department,

To—The Accountant-General, Public Works Department.

Inquiring how Rs 32,16,843 have been computed by him as interest on the actual capital expenditure on Productive Public Works in Bengal for 1878-79.

I AM directed to forward the enclosed copy of a letter from the Government of India, in the Department of Finance and Commerce, No. 3043, dated the 30th ultimo, together with the statement showing how interest has been calculated on the estimated capital expenditure on Productive Public Works in Bengal for 1878-79 and 1879-80.

2. I am to point out that in the actuals for 1878-79, as furnished to this Government by the Accountant-General, Bengal, the charge for interest is fixed at Rs. 32,16,843. These figures are reported by that Officer to have been obtained from you. The interest so fixed is, however, less than the amount which, according to the statement furnished by the Government of India, was due by Bengal on the actuals up to the end of 1877-78 without taking into account the capital expended in 1878-79 on which 2¼ per cent. is due.

3. It appears possible therefore that the figures given by the Government of India are excessive, and I am to request that you will favour the Lieutenant-Governor with the figures on which your computation of Rs. 32,16,843, as interest, has been made.

XCV.

No 701G, dated Simla, the 24th November 1879.

From—MAJOR A. FILGATE, R.E., Offg. Accountant-General, Public Works Department,

To—The Secy to the Govt. of Bengal, Financial Dept.

Submitting a statement showing figures of interest due by the Bengal Government for Imperial Outlay on Provincialised Public Works, as taken by the Financial

I HAVE the honour to acknowledge the receipt of your letter No. 808T, dated 21st ultimo, and in reply to forward herewith a comparative statement showing how the figures of interest payable by the Government of Bengal during 1878-79, accepted by the Government India, in the Financial Department, and as furnished by me to the Accountant-General, Bengal, have been arrived at. The difference you will see is due to the Financial Department

XCV— continued. Department, and as reported by his office to the Accountant-General, Bengal.

excluding from its calculation ordinary imperial outlay on Provincial Public Works, on which interest is payable, and including the expenditure on the Calcutta and South-Eastern and Patna and Gya State Railways, on which interest is not payable. I have, however, to point out that the amount of interest payable by the Bengal Government during 1878-79, reported by me to the Accountant-General, Bengal, was Rs. 32,46,000, and not Rs. 32,16,843 as stated by you

XCV—concluded.

Statement showing figures of interest due by the Bengal Government for Imperial Outlay on Provincialised Public Works as taken by the Financial Department, and as reported by this Office to the Accountant-General, Bengal.

Details.	As reported by this Office to Accountant-General, Bengal.			As estimated by the Financial Department.		
	Actuals to end of 1877-78.	Regular estimate, 1878-79.	Total to end of 1878-79.	Actuals to end of 1877-78.	Regular estimate, 1878-79.	Total to end of 1878-79.
Irrigation.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Productive Public Works.						
Orissa Project	1,74,13,720	27,50,000	4,76,17,690	1,74,13,720	27,50,000	4,76,17,690
Midnapore Series	67,97,190			67,97,190		
Tidal Canals	16,80,150			16,80,150		
Sone Project	1,89,76,630			1,89,76,630		
Total Productive Public Works	4,48,67,690	27,50,000	4,76,17,690	4,48,67,690	27,50,000	4,76,17,690
Ordinary Subsidiary Outlay on Productive Public Works.						
Orissa Project	3,37,050	.....	3,37,050	3,37,050	30,000	8,02,830
Midnapore Project	2,54,580	.....	2,54,580	2,54,580		
Tidal Canals	92,560	.....	92,560	92,560		
Sone Project	88,640	.....	88,640	88,640		
Total Ordinary Subsidiary outlay.	7,72,830	.....	7,72,830	7,72,830	30,000	8,02,830
Ordinary Capital Outlay on Irrigation Works.						
Damooda Scheme	1,59,500	.....	1,59,500	.....	.....	.....
Tirhoot Project	5,34,910	.....	5,34,910	.....	.....	.....
Hooghly ,,	1,42,810	.....	1,42,810	.....	.....	.....
Total Ordinary	8,37,220	.....	8,37,220	.....	.....	.....
Grand Total Irrigation	4,64,77,740	27,50,000	4,92,27,740	4,56,40,520	27,80,000	4,84,20,520
Capital abatement on land revenue.	58,354	6,000	64,354			
Railways.						
Productive Public Works.						
Calcutta and South-Eastern(*a*).	.....	.....	.....	55,27,320	64,90,000	3,23,22,740
Nalhati	2,71,690	82,000	3,53,690	2,71,690		
Northern Bengal	1,56,08,680	35,03,000	1,91,11,080	1,56,08,680		
Tirhoot	44,06,270	2,08,849	47,05,119	44,06,270		
Patna and Gya(*b*)	.....	25,70,200	25,70,200	18,780		
Total	2,02,86,640	64,54,049	2,67,40,689	2,58,32,740	64,90,000	3,23,22,740
Ordinary Subsidiary Outlay on Productive Public Works.						
Northern Bengal	28,860	.....	28,860	28,860	.....	28,860
Calcutta and South-Eastern(*a*).	.....	.....	.....	10,77,480	.....	10,77,480
Tirhoot	6,16,510	.....	6,16,510	6,16,510	.....	6,16,510
Total	6,45,370	.....	6,45,370	17,22,850	.....	17,22,850
Ordinary Capital Outlay on Railways.						
Kosi Extension Survey	52,053	.....	52,053	.....	.....	.....
Bettia ditto	13,932	.....	13,932	.....	.....	.....
Total	65,985	.....	65,985	.....	.....	.....
Total Railways	2,09,97,995	64,54,049	2,74,52,044	2,75,55,590	64,90,000	3,40,45,590
Grand Total Irrigation and Railways.	6,75,34,089	92,10,049	7,67,44,138	7,31,96,110	92,70,000	8,24,66,110
Interest	30,39,034 at 4½ per cent.	2,07,226 at 2½ per cent.	32,46,260	32,93,824 at 4½ per cent.	2,08,575 at 2½ per cent.	35,02,399

(*a*) Interest is not payable by the Bengal Government on outlay on the Calcutta and South-Eastern State Railway.

(*b*) Outlay of Rs. 18,780 was incurred on the Patna and Gya State Railway during 1877-78, but as it was incurred from *Provincial* Funds, it has been excluded from the interest calculation.

XCVI.

No. 261, dated Calcutta, the 4th February 1880.

From—The Asst. Secretary to the Government of Bengal, Financial Department,

To—The Accountant-General, Public Works Department.

I AM directed to acknowledge the receipt of your letter No. 701G, dated the 24th November 1879, forwarding a statement showing the interest due by this Government on the outlay on Provincial Public Works, to end of 1877-78 and 1878-79.

2. The total outlay to end of 1877-78 on which interest is payable, as shown by you, amounted to Rs. 6,75,34,089, namely—

	Rs.
On Irrigation Works	4,65,36,094
On Railway Works	2,09,97,995

The figures of Irrigation Works very nearly correspond with those arrived at by the Examiner of Public Works Accounts, Bengal; but I am to forward herewith copy of a letter from the Railway Branch of this Government, No. 1362A—SR, dated the 22nd December 1879, and to say that it appears, from a register kept in this office of all expenditure on Productive Public Works, that the total outlay on Railway and Survey Works to end of 1877-78 amounted to Rs. 2,78,03,392, thus—

		Rs.
Railways.		
Northern Bengal State Railway	1,56,37,538	
Tirhoot State Railway	50,22,788	
Nulhati ditto	2,71,689	
	2,09,32,015	
Patna and Gya	18,780	
Calcutta and South-Eastern State Railway	66,04,800*	
Total Railways ...	2,75,55,595	
Surveys.		
(1) Kosi Extension	52,053	
(2) Bettia ditto	13,932	
	65,985	
(3) Teesta	36,969	
(4) Assam	91,106	
(5) Seebsagore	33,992	
(6) Dacca	8,973	
(7) Dhubri	10,772	
Total Surveys ...	2,47,797	

* This is the sum on which interest is calculated by the Government of India, Financial Department. According to Bengal, Railway Branch, the actual expenditure amounted to Rs. 67,58,558; and according to the register kept in this department, Rs. 69,01,157.

XCVI—concluded.

Agreeing that no interest is payable either on the capital expended on the Calcutta and South-Eastern State Railway or on expenditure on the Patna and Gya Railway which was provided for from Provincial Funds; but inquiring whether any interest is payable on the capital expended on any of the surveys and extensions enumerated above in paragraph 2.

3. The Lieutenant-Governor agrees with you in thinking that, under the Financial Resolution No. 1801, dated the 26th March 1877, no interest is payable on the capital expended on the Calcutta and South-Eastern State Railway, nor is it payable on expenditure on the Patna and Gya Railway, which was provided for from Provincial Funds. But I am to request that His Honor may be favoured with an expression of your opinion as to whether any interest is payable or not on the capital expended on any of the surveys and extensions enumerated above, and with the grounds of your conclusion.

Asking for a statement showing the actual outlay on Irrigation and Railway Works during 1878-79, as also the Regular Estimate for 1879-80.

4. I am also to request that you will be good enough to furnish a statement showing the actual outlay on Irrigation and Railway Works during 1878-79 under each head as recorded in your books, if now finally settled, as also your regular estimate for 1879-80. The statement may be furnished in the form attached to your letter under reply.

XCVII.

No. 156G, dated Fort William, the 4th March 1880.

From—Major A. Filgate, R.E., Offg. Accountant-General, Public Works Dept.,

To—The Secretary to the Government of Bengal, Financial Department.

Submitting a statement A, showing the interest payable by the Bengal Government on the Capital Outlay from Imperial Funds on Provincialised Public Works for the years 1878-79, 1879-80, and 1880-81.

I have the honor to acknowledge receipt of your letter No. 261, dated 4th ultimo, and in reply beg to forward herewith a statement* showing the interest payable by the Bengal Government on the capital outlay from Imperial Funds on Provincialized Public Works in Bengal for the years 1878-79, 1879-80, and 1880-81. The statement has been prepared in accordance with the latest rulings on the subject, and to it is attached a note, which will show the manner in which the figures have been arrived at, and will further furnish you with all the information called for in your letter under reply. These figures represent my views of the case, but they cannot be accepted as final without the consent of the Financial Department of the Government of India.

* Marked A.

XCVII—continued.

2. As requested in the 4th paragraph of your letter, I enclose a further statement* showing the actual outlay on the Irrigation and Railway works in Bengal, alluded to in your letter, including Railway surveys during 1878-79, and the Regular Estimate for 1879-80.

* Marked B.

Enclosing a Statement B, showing the actual outlay on Provincialised Irrigation and Railway Works in Bengal, including Railway Surveys, during 1878-79, and the Regular Estimate for 1879-80.

A.

Statement showing the Capital Outlay on Provincialised Public Works in Bengal upon which interest is payable to the Imperial Treasury and the interest so payable for the years noted below.

Statement A.

Details.	Actuals to end of 1878-79.	Regular estimate, 1879-80.	Total to end of 1879-80.	Budget estimate, 1880-81.
IRRIGATION.	Rs.	Rs.	Rs.	Rs.
Productive Public Works.				
Orissa Project	1,79,71,120	7,80,083	1,87,51,203	4,40,000
Midnapore Series	70,75,360	73,184	71,48,544	1,55,000
Tidal Canal	16,80,150	.....	16,80,150	.....
Sone Project	2,06,85,460	13,96,733	2,20,82,193	8,05,000
Total ...	4,74,12,090	22,50,000	4,96,62,090	14,00,000
Ordinary Subsidiary Outlay on Productive Public Works.				
Orissa Project	3,37,050	.....	3,37,050	.....
Midnapore Series	2,54,580	.....	2,54,580	.....
Tidal Canal	92,560	.....	92,560	.....
Sone Project	88,640	.....	88,640	.....
Total ...	7,72,830	.....	7,72,830	.....
Total Irrigation ...	4,81,84,920	22,50,000	5,04,34,920	14,00,000
RAILWAY				
Productive Public Works.				
Reserve	.....	.....	.....	27,000
Calcutta and South-Eastern	.....	.....	.....	—15,000
Nalhati State Railway	3,41,370	—9,845	3,31,525	—12,000
Northern Bengal	1,94,70,480	12,88,400	2,07,58,880	6,00,000
Tirhoot	46,14,770	2,68,850	48,83,620	1,50,000
Patna and Gya	25,19,830	4,18,500	29,38,330	2,50,000
Total ...	2,69,46,450	19,65,905	2,89,12,355	10,00,000
Ordinary Subsidiary Outlay on Productive Public Works.				
Northern Bengal State Railway	28,860	.....	28,860	.....
Tirhoot „ „	6,16,510	.....	6,16,510	.....
Total ...	6,45,370	.....	6,45,370	.....
Ordinary Outlay on Surveys.				
Kosi Extension Survey	52,053	.....	52,053	.....
Bettiah „	13,932	.....	13,932	.....
Total .	65,985	.....	65,985	.....
Total Railway ...	2,76,57,805	19,65,905	2,96,23,710	10,00,000
Total Irrigation and Railway ...	7,58,42,725	42,15,905	8,00,58,630	24,00,000
Interest on outlay of year at 2½ per cent. ...	2,07,094	94,858	.....	54,000
„ to end of previous year at 4½ per cent.	29,98,733	34,12,922	.....	36,02,638
Total interest of year ...	32,05,827	35,07,780	35,07,780	36,56,638

XCVII—continued.

Note showing how the figures in Statement A have been arrived at.

Irrigation.

Ordinary Subsidiary Outlay on Productive Public Works.—The undernoted sums actually expended during 1878-79 have been omitted, as they represent outlay on canal plantations from Provincial Funds :—

Public Works Department's Circular No. 2 of 1880.

	Rs.
Orissa project	4,665
Sone „	8,842
Total ...	13,507

Ordinary Capital Outlay on Irrigation Works.—The outlay on the following irrigation works has been omitted from the calculation :—

Tirhoot. | Damudar. | Hooghly.

The outlay on these projects is omitted in accordance with the ruling given in Financial Department No. 2884, dated 20th September 1879, to the effect that the Government of Bengal has not to pay interest on these works.

Capitalized abatement of Land Revenue.—Interest used formerly to be calculated on this item, but it is excluded from the foregoing statement, with reference to orders about to issue, ruling that no interest is to be calculated on such indirect charges.

Railways.

Productive Public Works.—Outlay on the Calcutta and South-Eastern State Railway has been excluded, as no interest is payable by the Bengal Government on account of this line.

The whole of the outlay on the Patna and Gya State Railway up to end of 1878-79 has been included, as the entire amount of that outlay has been obtained from Imperial Funds. In addition to the sum entered in the table, a sum of Rs. 3,15,000 out of the amount included in this year's regular estimate will be supplied from Provincial Funds.

Ordinary Outlay on Surveys.—In the foregoing statement, on the authority of Financial Department Resolution No. 195, dated 27th April 1877, interest has been calculated only on the Imperial outlay on the Kosi Extension and Bettiah Surveys. This appears proper, as it is believed these lines will probably be sanctioned before long as Provincial Productive Public Works.

Outlay on the *Assam Extension* and *Sibsdugor Coal Line Surveys* have been excluded from the interest calculations, as the surveys for these lines have always been treated as Imperial. The former line is not exclusively in Bengal, and no portion of the latter line is in Bengal.

XCVII—concluded.

The undernoted outlay has also been excluded from the interest calculations, because the money expended thereon has been obtained from Provincial Funds:—

	Actual to end of 1878-79.	Regular estimate, 1879-80.	Budget estimate, 1880-81.
Dacca and Mymensingh Survey	42,130	8,000	.....
Rungpore and Dhubri ...	34,400	3,000	.....
Calcutta and South-Eastern Extension	8,380 }	71,000	.....
Central Bengal Survey ...	57,270 }		
Tirhoot Extension ...	4,610	460	.....
Jungarpore „ ...	2,070	.....	.....
Hazeepore „ ...	500	3,200	.....
Palamow „ ...	1,130	3,600	.....
	1,50,490	89,260	.....

B.

Statement showing the actual Capital Outlay on Irrigation and Railway Works in Bengal during 1878-79, *and the regular estimate of expenditure on them during* 1879-80, *called for in paragraph* 4 *of the letter from the Secretary to the Government of Bengal, No.* 261, *dated* 4*th February* 1880. Statement B.

	Actual Outlay during 1878-79.		Regular estimate 1879-80.	
	Imperial funds.	Provincial funds.	Imperial funds.	Provincial funds.
	Rs.	Rs.	Rs.	Rs.
Irrigation.				
Productive Public Works.				
Orissa Project	5,57,393	4,665*	7,80,083	.....
Midnapore Series	2,78,168	.....	73,184	.....
Tidal Canal	.....	.....	.....	.....
Sone Project	17,08,832	8,842*	13,96,733	.....
	25,44,393	13,507*	22,50,000	.....
Ordinary Outlay on Irrigation.				
Sarun Project	.....	2,36,150*	.....	2,60,000*
Jagooty Scheme	.....	33,040*	.....	.....
Damuda ditto	.....	.....	.....	.....
Tirhoot Project	—3,480*	.....	.....	.....
Hooghly ditto	—380*	.....	.....	.....
	—3,860*	2,69,190*	.....	2,60,000*
Total Irrigation ...	25,40,533	2,82,697*	22,50,000	2,60,000*
Railways.				
Productive Public Works.				
Calcutta and South-Eastern	1,40,695*	.....	.....	.....
Nalhati	69,682	.....	—9,845	.....
Northern Bengal	38,61,802	.....	12,88,400	.....
Tirhoot	2,08,505	.....	2,68,850	.....
Patna and Gya	25,01,054	.....	4,18,500	3,15,000*
	67,81,738	.....	19,65,905	3,15,000*
Ordinary Outlay on Railway Survey.				
Dacca and Mymensingh	.....	33,145*	.....	8,000*
Teesta Extension	.....	—36,970*	.....	.....
Rungpore and Dhubri	.....	23,629*	.....	3,000*
Calcutta and South-Eastern Extension	.....	8,383* }	.....	71,000*
Central Bengal Survey	.....	57,268* }		
Tirhoot Surveys	.....	4,608*	.....	460*
Jungarpore	.....	2,071*	.....	.....
Hazeepore	.....	504*	.....	3,200
Palamow	.....	1,130*	.....	3,600*
	.....	93,768*	.....	89,260*
Total Railways ...	67,81,738	93,768*	19,65,905	4,04,260*
Total Irrigation and Railways ...	93,22,271	3,76,465*	42,15,905	6,64,260*

Interest is not calculated on amounts marked thus * for reasons explained in enclosure marked A.

XCVIII.

No. 604, dated Calcutta, the 16th March 1880.

From—The Asst. Secretary to the Government of Bengal, Financial Department,

To—The Accountant-General, Public Works Department.

I AM directed to acknowledge the receipt of your letter No. 156G, dated the 4th instant, and in reply to convey to you the thanks of the Lieutenant-Governor for the note and the statement therewith forwarded, showing the interest payable by this Government on the capital outlay from Imperial Funds on Provincial Productive Public Works in Bengal for the years 1878-79, 1879-80, and 1880-81.

Inquiring whether the Provincial Government has been charged with the sum of Rs 6,00,000 entered in the Provincial Budget as a reserve for Railway Expenditure during 1879-80; and if so, whether it has been excluded from the calculation of interest.

2. I am to enquire, however, with reference to the letter from the Deputy Secretary to the Government of India, Public Works Department, to the Joint-Secretary to this Government in the Public Works Department, Railway Branch, No. 173RA, dated 12th November last, a copy of which is herewith forwarded for facility of reference, whether the Provincial Government has been charged with the sum of Rs. 6,00,000 which was entered in the Provincial Budget as a reserve for Railway expenditure during 1879-80, and if so, whether it has been excluded from the calculation of interest.

Inquiring also whether the sum of Rs 18,780 spent from Provincial Funds on the Patna and Gya Railway in 1877-78, has been recredited to Provincial

3. I am also to enquire whether the sum of Rs. 18,780, which was spent from Provincial Funds on the Patna and Gya Railway in 1877-78, has been recredited to Provincial, as it appears from your note that the whole of the expenditure on this line up to the end of 1878-79 has been made an Imperial outlay.

XCIX.

No. 268G, dated Simla, the 29th April 1880.

From—MAJOR A. FILGATE, R.E., Offg. Accountant-General, Public Works Dept.,

To—The Secy. to the Govt. of Bengal, Financial Dept.

I HAVE the honour to acknowledge the receipt of your Finance letter No. 604, dated the 16th ultimo, enquiring whether the Bengal Government has been charged with the sum of Rs. 6,00,000 which was entered in the Provincial Budget as a reserve for railway expenditure during 1879-80, and, if so, whether it has been excluded from the calculation of interest.

XCIX—concluded.

2. In reply I have to state that the Finance Department of the Government of India ruled that the sum of Rs. 6,00,000 should form a part of the general grant for Productive Public Works. But so far as known the Bengal Government made no mention of this contribution from its Provincial balances in preparing the regular estimate, and there was nothing in this office to show that that Government still desired to make the contribution, or had provided for it in that estimate. Hence, in the statement forwarded with my No. 159 of the 4th March, the entire grants for the lines in Bengal, with the exception of the sum of Rs. 3,15,000 allotted from Provincial funds to the Patna and Gya Railway, have been treated as "Imperial," and consequently interest has been charged on this sum.

The sum of Rs. 6,00,000 has been treated as Imperial Outlay, and consequently interest has been charged on it.

3. If the Bengal Government, however, desires to provide the sum of Rs. 6,00,000 from its Provincial balances doubtless this will be allowed by the Finance Department of the Government of India, on an application being made to this effect. On this being sanctioned, the charge for interest now made on this account will of course be cancelled.

If the Bengal Government desires to provide the said sum from its Provincial balances, doubtless this will be allowed, and the charge for interest would then of course be cancelled.

4. Regarding the last paragraph of your letter under acknowledgment, I have the honour to explain that the outlay incurred on the Patna and Gya State Railway during the year 1877-78 was treated as a charge against the "Extraordinary" (now Productive Public Works) grant. A reference* to Public Works Department Nos. 463-6 and 1414-16A—SR, dated the 27th March and 3rd December 1878 respectively, will show you that this was done. No portion of the sum of Rs. 18,781 was treated as a charge to Provincial funds, and this amount is, in the Finance Accounts of 1877-78, shown as Imperial Productive Public Works outlay.

No portion of the outlay of Rs. 18,781 during 1877-78 was treated as a charge to Provincial Funds.

* Copies herewith forwarded for ready reference.

C.

No. 159T, dated Darjeeling, the 11th May 1880.

From—A. MACKENZIE, Esq., Secretary to the Govt. of Bengal, Financial Department;

To—The Accountant-General, Public Works Department.

I AM directed to acknowledge the receipt of your letter No. 268G, dated the 29th April 1880, intimating that the

C—concld.

sum of Rs. 6,00,000, which was entered in the Provincial Budget as a reserve for railway expenditure during 1879-80, has been treated as Imperial outlay, and that interest has in consequence been charged to this Government on the amount.

Intimating that it is not considered necessary to recredit the sum of Rs. 6,00,000 to Imperial, and treat it as a contribution from Provincial balances.

2. In reply, I am to say that, under the circumstances stated in your letter, the Lieutenant-Governor sees no necessity for troubling the Financial Department of the Government of India with an application to re-credit the amount to Imperial and treat it as a contribution from Provincial balances. The money can be hereafter made available from the provincial balances for other works.

CI.

No. 455RA, dated Simla, the 18th May 1880.

From—The Secretary to the Government of India, Public Works Department,

To—The Secretary to the Government of Bengal, Public Works Department, Railway.

Submitting a statement showing Capital Outlay on State Railways in Bengal during 1879-80 and 1880-81, as entered in the Regular and Budget Estimates of the Public Works Department of the Government of India, and the interest payable thereon.

I AM directed to furnish, for the information of the Government of Bengal, the following particulars, showing the amounts for which the local Government is liable to the Imperial Treasury on account of interest for 1879-80 and 1880-81 on capital outlay from Imperial Funds on State Railways in Bengal, as entered in the Regular and Budget Estimates of this department, and the manner in which those figures have been arrived at:—

1879-80.

		Rs.	Interest. Rs.
Actual outlay to end of 1878-79—			
Northern Bengal	... ...	1,94,99,338	
Tirhoot	... ...	52,31,294	
Patna-Gya	... ...	25,19,834	
Nalhati	... ...	3,41,372	
Kosi Extension Survey	...	52,053	
Bettiah	... ...	13,932	
Total	...	2,76,57,823@4½=	12,44,602
Regular Estimate, 1879-80—			
Northern Bengal	... ...	12,88,400	
Tirhoot	... ...	2,68,850	
Patna-Gya	... ...	4,18 500	
Nalhati	... ...	9,845	
Total	...	19,65,905@2¼=	44,232
Total	...		12,88,834
Interest as per Regular Estimate	...	...	12,89,000

CI—concld.

1880-81.

	Interest. Rs.
Probable total outlay at end of 1879 80 .. 2,96,23,728@4½	=13,33,066
Grant for 1880-81 ... ... 10,00,000@2¼	= 22,500
Total ...	13,55,566
Interest for 1880-81 as per budget estimate ...	13,56,000

CII.

No. 410RA, dated Simla, the 11th April 1881.

From—Major-General A. Fraser, R.E., Secy. to the Govt. of India, P. W. Department,

To—The Secy. to the Govt. of Bengal, P. W. Department.

Submitting a statement showing Capital Outlay on State Railways in Bengal during 1880-81 and 1881-82, as entered in the Regular and Budget Estimates of the Public Works Department of the Government of India, and the interest payable thereon.

I am directed to furnish, for the information of the Government of Bengal, the following particulars showing the amounts for which the local Government is liable to the Imperial treasury on account of interest for 1880-81 and 1881-82 on capital outlay from Imperial funds on State Railways in Bengal, as entered in the Regular and Budget Estimates of this Department, and the manner in which those figures have been arrived at:—

	1880-81. Rs.	Interest. Rs.
Actual outlay to end of 1879-80—		
Northern Bengal ..	2,07,35,362	
Nalhati	3,47,450	
Patna and Gya	32,68,630	
Tirhoot	54,52,653	
Tirhoot—Kosi extension ...	52,053	
Bettiah	13,932	
	2,98,70,080	
Less—		
Provincial contribution ...	3,15,000	
Total ...	2,95,55,080, at 4½ per cent.	13,29,979
Regular Estimate for 1880-81—		
Northern Bengal ...	3,44,000	
Nalhati	—11,900	
Patna and Gya	3,09,000	
Tirhoot	2,05,000	
Ditto Extension ...	62,000	
	9,08,100, at 2¼ per cent.	20,432
Total ...		13,50,411
Interest for 1880-81 as per Regular Estimate		13,50,000

CII—concld.

	1881-82 Rs.	Interest Rs.
Probable outlay to end of 1880-81..	3,04,63,180, at 4½ per cent.	13,70,843
Budget estimate for 1881-82 ...	29,98,500, at 2¼ „	67,466
	Total ...	14,38,309
Interest for 1881-82 as per Budget Estimate ...	...	14,38,000

CIII.

No. 1180IA, dated Calcutta, the 14th September 1881.

Memo. by—The Assistant Secretary to the Public Works Department of this Government.

FORWARDED to the Financial Department of this Government for information.

Statement of interest payable on account of "38, Productive Public Works," during 1880-81.

Statement showing the amount of interest payable by the Government of Bengal on the Imperial portion of the Capital Expenditure on "38—Productive Public Works," *during* 1880-81.

PARTICULARS.	Amount. Rs.	Total. Rs
Orissa Project—		
Mahanuddy Series	6,91,202	
Brahmini-Byturni Series ...	1,63,853	
		8,55,055
Midnapore Project—		
Midnapore Canal	3,42,256	
Tidal Canal	79,771	
		4,22,027
Sone Project—		
Eastern Main Canal	3,45,397	
Western Main Canal	6,52,279	
		9,97,676
GRAND TOTAL		22,74,758

J. L. MACPHERSON,

For Examiner of P. W. Accounts, Bengal.

No. 863, dated Calcutta, the 10th February 1882. **CIV**

RESOLUTION.—By the Government of India, Department of Finance and Commerce.

READ—

Resolution of the Government of India in the Public Works Department, No. 51, dated 26th January 1882, fixing the rate of interest to be charged on the capital outlay of Productive Public Works.

RESOLUTION.— The Governor-General in Council having decided, with the sanction of the Secretary of State, that the rate of interest to be charged on the capital outlay on works classed as Productive Public Works and on other works for which Capital and Revenue Accounts are kept, shall, with effect from the commencement of the current year, be fixed at 4 per cent., instead of 4½ per cent., that rate will for the sake of uniformity in the public accounts, be adopted in calculating the interest payable for the current year by local Governments to the Imperial Treasury on account of capital expended on Productive and other Public Works, for which they are financially responsible.

The rate of interest payable on the capital outlay of Productive Public Works will be 4 instead of 4½ per cent., from the commencement of the year 1881-82.

2. The interest so payable will accordingly be reduced by Rs. 8,41,772, as shown in detail in the statement appended to this Resolution; and a corresponding reduction will be made in the Imperial Allotment, while in British Burma, where the allotment is given in the shape of an assignment of a share in certain Imperial Revenue, a special contribution of the amount will be made to the Imperial Treasury. The net result, as regards both the Imperial and Provincial Governments, will thus be the same as if no reduction in the rate of interest had been made.

A corresponding reduction will be made, however, in the Imperial Allotment.

3. As regards the new Provincial arrangements, the alteration in the rate of interest will, in respect of past capital expenditure, be taken into consideration in finally settling their terms, the percentage of Land Revenue to be assigned being reduced by an amount equivalent to the reduction in the interest now payable to the Imperial Treasury. But in respect of new capital expenditure the local Governments will for the present be allowed the benefit of this reduction, and will thus be assisted in the application of their surplus resources towards the construction of

CIV—concld.

The Imperial Government in no way restricted from altering the new rate of interest in respect of any future capital expenditure.

Productive Public Works. It is, however, to be distinctly understood that the present Resolution must not be read as in any way restricting the Government of India from altering the rate in respect of such new capital should occasion therefor arise hereafter owing to special monetary circumstances or otherwise.

Statement showing the effect of the reduction of the rate of interest.

Statement showing the effect of the reduction of the rate of interest from 4½ to 4 per cent. payable on the capital outlay of works provincialized.

	Central Provinces.	British Burma.	Bengal	N.-W. Provinces and Oudh	TOTAL.
	Rs.	Rs	Rs.	Rs	Rs
1881-82					
Interest at 4½ per cent. on Railways...	2,73,613	6,19,979	14,49,870	1,31,460	24,74,922
,, ,, ,, on Irrigation and Navigation	.....	.....	23,40,065	27,60,951	51,01,016
Total ...	2,73,613	6,19,979	37,89,935	28,92,411	75,75,938
Interest at 4 per cent. on Railways ..	2,43,212	5,51,092	12,88,773	1,16,853	21,99,930
,, ,, ,, on Irrigation and Navigation	.....	.....	20,80,058	24,54,178	45,34,236
Total ...	2,43,212	5,51,092	33,68,831	25,71,031	67,34,166
DIFFERENCE	30,401	68,887	4,21,104	3,21,380	8,41,772

AGRICULTURAL WORKS CLASSED AS IMPERIAL ORDINARY—PROPOSED TRANSFER OF, TO BENGAL GOVERNMENT. CV.

No. 4923IA., dated Fort William, the 23rd December 1879.

From—H. C. LEVINGE, ESQ., Joint-Secy. to the Govt. of Bengal, Public Works Dept., Irrigation Branch,

To—The Secy. to the Govt. of Bengal, Financial Department.

I AM directed to forward, for consideration in the Financial Department, copy of a letter from the Government of India marginally noted, with a note by the Chief Engineer, on the subject of expenditure on agricultural works now classed as Imperial.

No. 138AI. of the 13th October 1879.

Forwarding for consideration in the Financial Department correspondence relative to a proposal to transfer to the Bengal Government the management of the agricultural works classed as "Imperial Ordinary."

No. 138AI., dated Simla, the 13th October 1879.

From—MAJOR A. FILGATE, R.E., Offg. Deputy Secy. to the Govt. of India, Public Works Department,

To—The Secy. to the Govt. of Bengal, Public Works Department, Irrigation Branch.

THE attention of the Government of India has been directed to the advantages of transferring to the Government of Bengal the entire management of the agricultural works which are now classed as Imperial, and I am desired to request the views of the Government of Bengal on this proposal, and also the conditions under which His Honor the Lieutenant-Governor would be willing to accept the financial responsibilities of these works from provincial resources.

Requesting the views of the Bengal Government on the proposal, and the conditions of the transfer.

2. I am desired to add that the Government of India would view with favour the acceptance of this proposal for a stated term of years as a tentative measure.

Note by H. C. LEVINGE, ESQ., *Chief Engineer, Bengal, Irrigation Branch, on "Imperial Ordinary" Expenditure, dated the 23rd December* 1879.

THE Government of India, in their No. 138AI of the 13th October last, propose to transfer to the Government of Bengal the entire management of the agricultural works now classed as Imperial,

Note by Mr. H C. Levinge on the subject.

CV—contd. and request the views of the Government of Bengal on this proposal, and also the conditions under which His Honor the Lieutenant-Governor would be willing to accept the financial responsibility of these works from provincial resources for a stated term of years.

The works alluded to are those classed as "Imperial Ordinary," and consist almost entirely of repairs to Government embankments other than tuccavi.

The accompanying statement shows the expenditure for the past six years on these works, and the estimate for 1880-81, which is somewhat high on account of the excessive damage done by the floods of the current year.

The average annual expenditure of the six years is Rs. 4,90,338, and including the estimate for next year, Rs. 5,01,891. If the expenditure of the past ten years is taken, the average would be Rs. 5,68,492; but as the years previous to 1874-75 included expenditure for extensive remodelling of embankments, I think they may fairly be left out of account.

I recommend that a proposal be made to the Government of India that a fixed sum be annually paid, amounting to Rs. 5,25,000, on the clear understanding that this is only to be applied for maintenance and remodelling of embankments and other old works, and that in case new works are required, a separate application be made for sanction of the Government of India.

I think, as the measure must be to a great extent tentative, it will be advisable to fix the term of years from the 1st of April 1879 (that is to include the current year) up to whatever date has been fixed for review or reconsideration of the financial arrangements between the Imperial Government and the Government of Bengal.

Statement of Expenditure on embankments from 1874-75 to 1880-81.

Statement showing the Expenditure on Embankments from 1874-75 *to* 1880-81.

	1874-75.	1875-76.	1876-77.	1877-78.	1878-79	1879-80.	1880-81.
Orissa Embankments.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs	Rs.
Works	11,048	4,935	2,946	6,399	5,043	5,000	5,000
Repairs	87,979	97,025	1,10,529	1,22,666	1,23,795	1,70,000	2,55,000
Establishment	17,818	23,439	27,155	29,647	30,504	28,000	65,000
Tools and plant	1,460	829	437	667	259	2,100	7,800
Total	1,18,305	1,26,228	1,41,067	1,59,379	1,64,601	2,05,100	3,32,800
Cossye Division Embankments							
Works	51,350	39,969	4,580		4,616	..	
Repairs	68,241	95,829	58,084	76,518	53,942	59,500	58,500
Establishment	63,738	39,100	22,686	17,571	13,672	11,340	14,625
Tools and plant	3,413	1,046	2,224	1,769	447	878	1,755
Total	1,86,742	1,75,944	87,574	95,858	72,677	71,718	74,880
Northern Drainage and Embankments Division Embankments.							
Works	9,550	17,311	5,391	2,070	11,638	18,149	18,149
Repairs	64,899	57,522	51,037	70,857	66,298	73,300	83,261
Establishment	76,306	1,14,638	1,00,136	1,08,887	1,01,097	1,03,376	25,352
Tools and plant	2,511	9,519	47	1,110	1,171	1,500	3,043
Total	1,53,266	1,98,990	1,56,611	1,82,924	1,80,204	1,96,325	1,29,804

CV—concld.

	1874-75	1875-76	1876-77	1877-78.	1878-79.	1879-80	1880-81
Gunduck Division Embankments.	Rs	Rs	Rs	Rs	Rs.	Rs	Rs
Works	2,27,273	—10,686	1,039	—933	3,658	3,497	3,497
Repairs							
Establishment	83,916	—2,458		—838	11,299		874
Tools and plant	7,385	—701	129	—412	1		105
Total	3,18,594	—13,845	1,168	—2,183	14,958	3,497	4,476
General Branch Embankments							
Works	5,770	6,714	1,329		2,102	8,354	8,354
Repairs	10,496	5,910	9,528	11,134	9,266	12,200	14,500
Establishment	7,039	3,156	2,663	1,696	2,842	2,806	5,713
Tools and plant							684
Total	23,305	15 780	13,520	12,830	14,210	23,360	29,251
Miscellaneous							
Works	250	1,089	1,026	15,453	2,532		
Repairs	682	1,160	628	670			
Establishment	15,017	13,896	14,460	12,650			
Tools and plant			2 025	2,738			
Dehree Training School	981	873					
Total	16,930	17,028	18,139	31,511	2,532		
GRAND TOTAL	8,17,142	5,20,125	4,18,079	4,80,319	4,49,182	5,00,000	5,71,211
			ABSTRACT.				
Works	3,06,222	60,215	16,311	22,989	29 589	35,000	35,000
Repairs	2,32,297	2,57,446	2,29,806	2,81,845	2,58,301	3,15,000	4,11,361
Establishment	2,63,854	1,91,771	1,67,100	1,69,613	1,59,414	1,45,522	1,11,564
Tools and plant	14,769	10,693	4,862	5,872	1,878	4,478	13,386
Total	8,17,142	5,20,125	4,18,079	4,80,319	4,49,182	5,00,000	5,71,211
Deduct expenditure on famine relief works in 1874-75	2,42,820						
Total	5,74,322						

CVI.

No 197, dated Calcutta, the 29th January 1880.

Memo. from—The Assistant Secretary to the Government of Bengal, Financial Department,

To—The Joint-Secy. to this Govt., in the Public Works Dept., Irrigation Branch.

Offer of the Bengal Government to accept the proposed financial responsibility of the agricultural works for three years for an annual payment of Rs 5,25,000.

WITH reference to your letter No. 4923, dated the 23rd ultimo, and its enclosures, I am directed to say that, as recommended by the Chief Engineer, Bengal, Irrigation Branch, the Lieutenant-Governor in this Department is prepared to accept the financial responsibility of the agricultural works now classed as Imperial on payment, by the Government of India, of an annual sum of Rs. 5,25,000 for three years from 1st April 1879, on the understanding that that amount is intended only for the maintenance and remodelling of embankments and other old works, and that in case new works are required, separate applications for additional allotments will be made to the Government of India.

CVII. CONTRIBUTION OF TWENTY LAKHS TO THE IMPERIAL TREASURY.

No. 4063, dated Simla, the 9th November 1878.

RESOLUTION—By the Government of India, Financial Department.

Inviting the adoption of measures for the reduction of expenditure within the narrowest limits, and for the prompt and full realization of the public revenue, in view of the possibility of military operations beyond the North-Western Frontier.

In view of the possibility of military operations beyond the North-Western Frontier, for which costly preparations are being already made, it becomes necessary for the Governor-General in Council to invite the several Local Governments and Administrations to take such measures as they may find possible for the reduction of the ordinary expenditure of the country within the narrowest limits, and for the prompt and full realization of the public revenue.

2. It is of immediate importance that the resources of the country should thus, as far as possible, be made available to meet present and probable extraordinary demands, and measures should be taken for suspending or postponing all optional expenditure, whether Imperial, Provincial, or even from Local Funds, the balances of which are in the Imperial Treasury.

3. The largest retrenchments for improving ways and means are usually obtained on such occasions by a reduction of expenditure on public works. The Governor-General in Council is aware that summary reductions of expenditure under this head are not always consistent with ultimate economy; but His Excellency relies on the Local Governments and Administrations giving no more than due weight to this consideration. In accordance with the long-established policy of Indian administration during a time of extraordinary military charges, the expenditure of all other services should be resolutely brought down to a minimum, and some future additional charge may even without objection be contemplated if it has the effect of adding to present means.

4. Proposals for increases of salaries or of establishments which, under other circumstances, might have been proper, should be reviewed with special advertence to the requirements of the present time, and no propositions of this description should be entertained unless they are of real urgency.

5. Accountants-General must also use every endeavour to reduce to a minimum the balances in the treasuries in account with them. CVII-contd.

6. Some time since, the minimum safe balances required for the working of the administration in each province at the end of each month was settled in communication with the several Accountants-General. These minimum balances for the last day in September, and the actual cash balances on 30th September 1878, were as follow:—

	1	2	3	4
	Actual balances on 30th September 1878, as per Cash Balance Register.	Balances in the Presidency Banks included in column 1.	Remaining balances.	Minimum balances.
	£	£	£	£
Bengal	1,513,595	.....	1,513,595	110,000
British Burma	583,053	.....	583,053	180,000
North-Western Provinces and Oudh	1,766,447	.....	1,766,447	840,100
Assam	225,754	.....	225,754	100,000
Punjab	1,201,294	.	1,201,294	1,030,000
Bombay	2,009,867	748,567	1,261,300	897,600
Central Provinces	335,500	. .	335,500	850,000
Madras	1,654,712	390,822	1,263,890	1,150,000
Total ...	9,290,222	1,139,389	8,150,833	5,656,700

7 In the Punjab and on the Sindh Frontier an excess over the accepted minimum is necessary at the present time; but elsewhere the withdrawal of troops for the frontier, and the reduction of expenditure suggested in these orders, ought to make possible even some reduction of the accepted minima.

8. The Governor-General in Council desires that enquiry may be made at once how this may best be effected, and that the measures herein suggested for improving ways and means, and reducing the balances of all disbursing officers in every branch of the Administration to the smallest amount, may receive immediate and earnest attention.

9. His Excellency in Council confidently relies on the active co-operation of all the Local Governments and Administrations in thus supporting the Government of India, and will hope to receive by 31st December next reports from

CVII—concluded.

them that they have arranged for a substantial fulfilment of the objects of this Resolution.

ORDERED that a copy of this Resolution be sent confidentially to the several Departments of the Government of India, the Local Governments and Administrations, the Comptroller-General, the Accountants-General, and the Deputy Accountants-General in independent charge.

CVIII.

No. 45, dated Calcutta, the 6th January 1879

From—D. BARBOUR, Esq, Offg. Secy. to the Govt. of Bengal, Financial Department,

To—The Secy. to the Govt. of India, Financial Department.

Deprecating any sudden reduction of the expenditure on Productive Public Works

I AM directed to acknowledge the receipt of the Resolution by the Government of India in the Financial Department, No. 4063, dated the 9th ultimo, regarding the reduction of expenditure and the prompt and full realization of revenue, in consideration of the present military expenditure beyond the frontier; and to say in reply that, while the Government of India may feel assured that the Lieutenant-Governor will adopt all legitimate means to make funds available for the unusual expenditure now being incurred, he has satisfied himself that the sudden and unforeseen reduction in Bengal at the present time of expenditure on Productive Public Works, whether State Railways or Canals, would be a wasteful and extravagant measure, which he feels sure the Government of India would not desire to press upon him save in case of strong necessity such as he understands does not at present exist. The contracts and arrangements now being carried out for the construction of productive works in Bengal could not be set aside or postponed except at a heavy loss; the expenditure on establishments could not be reduced in proportion to the reduction of expenditure on works; while any establishment which might be discharged would require to be taken on again as soon as the present pressure ceases, which, it may be hoped, will be very shortly. In many cases the expenditure is necessary to secure the receipt of immediate revenue from works on which large sums have already been spent, and it cannot be overlooked that much of the present taxation has been imposed under a pledge that the money

shall be spent on public works, and that it would therefore be considered a breach of faith to assign the funds so raised to other purposes. For these reasons the Lieutenant-Governor has decided upon not reducing the expenditure on Productive Public Works during the current year. **CVIII—continued.**

2. Many of the arguments which show the inexpediency of suddenly reducing the expenditure on Productive Public Works apply, though with less force, to any postponement of ordinary public works which have already been undertaken; but the Lieutenant-Governor has arranged to effect what savings he can under this head during the current year; these savings are expected to be not less than five lakhs of rupees. **Saving of five lakhs expected under Ordinary Public Works.**

3. Large savings have lately been effected under the heads "Police" and "Medical," and there seems to the Lieutenant-Governor no reason to suppose that important retrenchments could now be made under the other civil heads without crippling the departments concerned. In consequence, however, of the recent orders of the Government of India, various petty savings in permanent expenditure have been sanctioned, aggregating Rs. 10,000 annually, and a reduction of a similar amount in contingent expenditure in the present year has also been made. A slight saving may also be expected as the result of proposals now under consideration; all departments have been warned to practise economy in the coming year, and doubtless some further reduction of expenditure will be enforced in framing the estimates for 1879-80. The recent orders of the Government of India have also led to several measures involving additional expenditure being postponed, and in this way a practical saving has been effected. **Savings under other heads.**

4. The closing Provincial balance of 1878-79 for Bengal was originally estimated to be Rs. 26,01,000, and during the year it was found necessary to sanction additional expenditure under various heads, but the economies already effected and now proposed, taken with the increase of revenue under certain heads, will probably lead to an increase of the closing balance by Rs. 9,00,000, as compared with the estimate—a result which the Lieutenant-Governor trusts will be considered to show a satisfactory addition to the ways and means at the disposal of the Government of India. **The closing Provincial Balance of 1878-79 expected to be Rs. 9,00,000 better than that originally estimated.**

CVIII—concluded.

5 The collections under the Licence Tax Act have necessarily been trifling in the earlier months of the year during which the assessments were being made and revised, but measures have now been taken to press on this work, and very considerable amounts may be expected to be paid into the treasury every month during the current financial year. The whole of next year's license tax is, under the provisions of the law, payable before 31st May next, and though it may not be all collected by that date, the Government cannot fail to receive a very large sum on this account in the first quarter of 1879-80. The collection of the Public Works Cess has been progressing satisfactorily during the year, and every effort will now be made to collect as much as possible of this tax during the present year.

No efforts will be wanting, so far as may be consistent with the efficiency of the Administration, to make all possible funds available for the requirements of the Superme Government.

6. In conclusion, the Lieutenant-Governor desires me to add that a constant watch will be preserved to keep general expenditure down to the lowest standard. The Lieutenant-Governor cannot, however, reduce suddenly either the judicial or executive branches of the public service, as they are already too weak to perform the work required of them, and as a severe economy has been enforced during the last two years under all heads of Civil as distinguished from Public Works expenditure, he is unable to devise any scheme for the reduction of general expenditure which would not cripple the administration; but the Governor-General in Council may rest assured that no efforts will be wanting, so far as may be consistent with the efficiency of the administration, to make all possible funds available to meet the requirements of the Supreme Government.

CIX.

No. 508, dated Fort William, the 31st January 1879.

From—R. H. Hollingbery, Esq., Asst. Secretary to the Government of India, Financial Department,

To—The Secy. to the Govt. of Bengal, Financial Dept.

Approving the measures adopted for the reduction of expenditure and the relization of revenue.

In acknowledging the receipt of your letter No. 45, dated the 6th January 1879, I am directed to state that the Governor-General in Council approves generally of the measures adopted by His Honor the Lieutenant-Governor of Bengal for the reduction of expenditure, and the prompt and full realization of revenue in consideration of the present military expenditure beyond the frontier.

No. 410, dated Simla, the 1st May 1879. **CX.**

RESOLUTION—By the Government of India, Financial Department.

READ again—

Resolution in the Financial Department, No. 4063, dated 9th November 1878, and the Financial Statement for 1879-80.

Re-affirming the necessity for effecting material reductions in the expenditure of the Empire, and for increasing the resources at the disposal of the Supreme Government

By the Resolution of the 9th November 1878, the Governor-General in Council urged on the several Local Governments and Administrations the necessity of reducing the ordinary expenditure of the country within the narrowest possible limits. It was directed that measures should be taken for suspending or postponing all optional expenditure, whether Imperial, Provincial, or even from Local Funds, and that no proposals for increases of salaries or establishments should be entertained without real necessity. His Excellency in Council does not doubt that earnest attention has been given to those instructions, but it has now become requisite to repeat them in still stronger and more definite terms.

2. The Government of India has repeatedly declared it to be necessary in ordinary times that a surplus of revenue over expenditure of not less than £2,000,000 should each year be provided to furnish the means of protecting the country against famine, and to leave a margin to meet unforeseen contingencies. Less than a year ago it appeared that this object had been attained; but the expectations then expressed by the Government in regard to the satisfactory condition and prospects of the finances have during the last few months been dispelled. The Financial Statement published with the Resolution of the 12th March 1879 shows an estimated deficit of revenue compared with the estimated ordinary expenditure in 1879-80 of £1,395,000.

3. In paragraph 265 of that Resolution, the true surplus, apart from the war in Afghanistan, is estimated at £813,000, being £1,187,000 less than the required surplus of £2,000,000.

4. Although other causes for anxiety are not wanting, this unfortunate change in the financial position of the Government may be considered wholly due to the state of the exchange with England. The estimated loss by exchange for the current year would, if provision were made to cover the whole of the home charges, be £4,140,000, an

CX—contd. amount exceeding by more than £1,000,000 the entry under this head in the budget estimate for the year which has lately closed, and it is impossible to say that this loss will not continue and go on increasing.

5. The task is serious of dealing with a difficulty of so indefinite a character, and one of which the causes are so entirely beyond the control of this Government; but the Governor-General in Council is resolved to spare no efforts to maintain the finances of the Empire in a completely satisfactory condition.

6. Apart from other measures which may become unavoidable for increasing the public revenues, it is obviously necessary that all practicable limits should be placed on the public expenditure.

7. It has been shown on former occasions that, during the last ten years, there has been a very large reduction in the net civil expenditure of the Empire. Excluding famine relief and loss by exchange—an element, as just stated, beyond control—that reduction has not been less than £1,500,000 a year. Still further reductions must now be made.

8. The public expenditure, excluding that incurred from Local Funds, is now divided into two branches—Imperial and Provincial—for which the Government of India and the Local Governments and Administrations are respectively responsible.

9. The military charges constitute the most serious part of the Imperial obligations, but the present Rssolution is not intended to refer to them; and His Excellency in Council will now only say regarding them that he is fully alive to the urgent and paramount duty which rests on the Government of India of striving to the utmost of its power to reduce the military expenditure within the narrowest limits consistent with the public safety. His Excellency in Council knows that the Government of Her Majesty feels no less anxiety in this matter.

Ordering, with reference to Imperial Services, that unless positive necessity exists, no improvements in Administration must be undertaken, if

10. In respect to the civil expenditure, excepting the charges on account of the Public Debt and other heads of service, which, as they concern the Empire at large, have been retained under the management of the Supreme Government, the greater portion of the ordinary civil expenditure of British India is now mainly entrusted to the Provincial Governments. With regard to that part of this

CX—contd.

expenditure which is under his more immediate control, and, in particular, the expenditure on the central establishments of the Supreme Government, the Governor-General in Council is taking the most effective means in his power to obtain every possibile economy. He has now again to notify to the several departments under the Government of India that no increase of the public expenditure will be allowed which is not essential and unavoidable; and it will be the immediate duty of every department to make without delay a searching review of the whole of the charges under its control. Unless positive necessity exists, no improvements in administration, however desirable, must be undertaken if they involve increased charges; no fresh establishments must be entertained; no new offices must be created; no new works, which it is possible to postpone, must be commenced.

they involve increased charges; no fresh establishments entertained; no new offices created; no new works commenced, which it is possible to postpone.

11. The policy thus announced in regard to the expenditure under the immediate control of the Government of India must, the Governor-General in Council regrets to say, be extended also to the Provincial Governments and to the Provincial Services. The policy of maintaining provincial responsibility for the management of provincial finances inaugurated by the Government of India in December 1870 has now been in course of development for nine years, with a success which has equalled the most sanguine expectations of its authors. It has led to greatly increased efficiency in many of the chief branches of the public service, to the development of the revenues without addition to the public burdens, and to economy in expenditure. It was one important object of that policy that the normal and obligatory administration of the country should be as far as possible shielded from the effects of ordinary vicissitudes affecting the Imperial finances; and during the last nine years, notwithstanding the serious financial pressure that has often been experienced, as for example that caused by the famine in Bengal in 1874, by the famine in the Madras and Bombay Presidencies in 1876 and 1877, and by the present war on the frontier, the Governor-General in Council has left at the disposal of the Provincial Governments, without diminution, the whole of the resources assigned to them.

Extending the same policy to the Provincial Governments and to the Provincial Services.

12. The pledge, however, originally given and subsequently repeated by the Government of India that no fresh Imperial demand would be made on those resources

CX—contd. has always been declared subject to the condition that, if some great fiscal misfortune or urgent national necessity should occur, it might become unavoidable to call on the Provincial Governments to sacrifice for the relief of the Empire generally some portion of the revenues allotted to them. The anxiety of the Government of India not to exercise this power, and to interfere in no way with the free development of the system of provincial finance, has been amply proved in the past; and no one will doubt the reluctance with which His Excellency in Council now contemplates the necessity of inviting the Provincial Governments to give him their assistance in obtaining necessary relief to the Imperial Treasury, and in averting, so far as may be possible, the necessity of imposing fresh burdens, whether Imperial or Provincial, on the country. But the unforeseen fiscal misfortune which has befallen British India in the disturbance of the relation formerly existing between the values of silver and gold is more serious than any of those difficulties which it has hitherto been necessary to meet. It is more indefinite in extent, and may be more lasting; and, as already observed, the causes which led to it, and which are still in operation, are altogether beyond the control of this Government. The Governor-General in Council is most unwillingly forced to the conclusion that it has become necessary to make a revision, which he trusts may be only temporary, in the existing arrangements with the local Governments, and this revision must involve some reduction of the resources now at their disposal.

Intimating that the gravity of the position is such as to warrant a revision of the financial contracts made with the Local Governments.

13. Nothing is further from the intention of His Excellency in Council than to interfere in any way with the principles of the policy which has for some years past been followed with such signal success. He feels, indeed, that the emergency which has now occurred affords another and one of the strongest possible proofs that this policy is wise. But for this policy, he believes that the reductions of the public expenditure which must now be made would have hardly been practicable. This, at least, is certain that they will be carried out with far greater ease, and in a far more satisfactory manner, by the local Governments than would have been possible under a system by which the Government of India attempted minutely to supervise all the details of the administration. In preparation for a contingency which must be regarded as imminent, the Governor-General in Council

CX—concld.

is compelled to direct that the prohibition of every avoidable increase of expenditure must extend not only to all Imperial Services, but to all Provincial Services also. The chief reductions in every province will doubtless be made in the expenditure on public works. Without in any way contemplating greater restrictions on the power of the local Governments in future than have been exercised under the rules actually in force, the Governor-General in Council, as a temporary measure, and with the object of preventing fresh avoidable expenditure until further arrangements can be settled with the local Governments, thinks it necessary to direct that no new work, estimated to cost more than Rs. 2,500, shall be commenced at the cost of Imperial or Provincial Funds, even though it may already have received the sanction of the Government. If, for some special reason, a local Government desires that this order should in any case be relaxed, it will be at liberty to represent the circumstances to the Government of India. The same rule will be applicable to all departments under the immediate administration of the Supreme Government.

Prohibiting, as a temporary measure, the commencement of any new public work estimated to cost more than Rs. 2,500.

14. The present Resolution is intended chiefly to refer to the ordinary expenditure; but it has been decided to make large reductions in the expenditure on Productive Public Works also. On this subject further orders will be issued.

15. His Excellency in Council knows that he may confidently trust in the loyal co-operation of all the local Governments and Administrations in giving effect to the instructions contained in the present Resolution. The Governor-General in Council will immediately place himself in communication with the several local Governments and Administrations, and will consult them in regard to the particular measures which should be adopted for effecting the objects which have now been stated. It will be the duty of the several officers of audit and account to remind the local Governments of this Resolution, whenever it seems necessary.

CXI.

No. 347T, dated Darjeeling, the 13th June 1879.

From—A. Mackenzie, Esq., Secy. to the Govt. of Bengal, Financial Department,

To—The Secy. to the Govt. of India, Financial Department.

The Lieutenant-Governor has given his most anxious attention to the Resolution of the Government of India, in

CXI—contd. the Financial Department, No. 410 of the 1st May last, in which His Excellency the Governor-General in Council explains the circumstances that make it necessary to effect material reductions in the expenditure of the Empire, and to increase the resources at the disposal of the Supreme Government. Not merely does the Government of India find itself compelled to order that under Provincial as well as under Imperial Services, "unless positive necessity exists, no improvements in administration, however desirable, must be undertaken if they involve increased charges; no fresh establishments must be entertained; no new offices must be created; no new works which it is possible to postpone must be commenced;" but it is intimated that the gravity of the position is such as to warrant a revision of the financial contracts made with the local Governments—a measure which, on the avowed principles of the decentralization policy, could only be justified by the most serious fiscal disasters or national calamities.

Urging the inexpediency of revising the provincial contracts during the term of their currency, or of limiting the powers of Local Governments under the decentralization system.

2. The Lieutenant-Governor feels that he is not in a position to dispute or even to criticise the correctness of the estimate taken of the situation by His Excellency the Governor-General in Council, but he must very earnestly ask for a re-consideration of the manner in which it is proposed to arrive at the end sought by the Government of India. Nothing could, in Sir Ashley Eden's opinion, be more mischievous than any attempt to limit the powers of Local Governments under the decentralization system, or to revise the provincial contracts during the term of their currency. The Government of India have repeatedly admitted that the success of the decentralization scheme has been complete. In the Resolution now under notice this success is said to have "equalled the most sanguine expectations of the authors of the scheme." It has led not only to improvements in revenue and economy in expenditure, but to a very marked advance in the efficiency of administration. Work has been considerably simplified, and the relations of the Supreme and Local Governments improved by the removal of many irritating causes of discussion, while the increased responsibilities thrown upon the Local Governments have fostered and developed their interest in the provinces entrusted to them. Anything which would tend to injure or destroy the vitality of this system, so lately constructed, and so successful hitherto, would, the Lieutenant-Governor

feels sure, be a calamity for the country; and nothing would more seriously shake the confidence of the Local Governments in the system itself, and in the relation held towards it by the Supreme Government, than a general revision of the details of contracts so recently and carefully made, on the faith of which all the administrative arrangements of the Local Governments are based. Not only, however, is it proposed in the Resolution under notice to make such a revision of contracts, but the orders of the Government of India, embodied in the last clause of paragraph 10 and the opening clause of paragraph 11 of the Resolution, place such limits on the powers of the Local Governments as virtually to nullify the whole system of Provincial Services, and if they are to remain in force, it would be better to revert at once to the arrangements existing before December 1870. CXI—contd.

Deprecating the imposition of any fresh taxation.

3. In paragraph 6 of the Resolution, it is intimated that, apart from all measures of retrenchment, it may be necessary for the Government of India to take steps for increasing the public revenues. The Lieutenant-Governor can only understand these words to refer to contemplated measures of general taxation. He would therefore take this opportunity of deprecating, in the strongest terms open to him, the imposition of any fresh taxation, or even the discussion of any possible schemes of fresh taxation at the present time. In the actual condition and temper of the country, any change in the fiscal system which would lead to the imposition of fresh burdens upon the people would cause widespread discontent and irritation of a very serious character. There is hardly any part of the Empire (except, perhaps, British Burmah) that is not suffering from the continued high prices of food and the general depression of trade. Only to-day the Lieutenant-Governor has heard that in one of the richest districts of Eastern Bengal, hitherto supposed to be beyond all reach of distress, many, even of the middle classes, are reduced to one meal a day, and crowds of the labouring poor are thronging to the district road works. To impose fresh burdens on the people at a time of such general depression would, Sir Ashley Eden submits, be most unwise. He feels sure that the Local Governments would consent to make any sacrifices in order to obviate such a calamity.

4. While the Lieutenant-Governor ventures thus frankly to state his objections to the course which the Government

CXI—contd. of India apparently propose to follow, he feels that it is the duty of the Local Governments to come forward to assist the Supreme Government in its present exigencies, and, if possible, to suggest means of relieving the financial strain with the least possible interference with the efficiency of the administration.

Suggesting that the Local Governments be called upon to contribute towards the relief of the financial necessities of the Superme Government, and offering to submit, in this view, to a reduction of 20 lakhs opon the Imperial allotment to Bengal for 1880-81.

5. Presuming that the difficulty, though serious, is after all, in its present shape, mainly temporary, arising from the continued fall in exchange and from the difficulty of carrying out at once such a reduction in public works and army expenditure as would restore the requisite equilibrium in Imperial finance, the Lieutenant-Governor gathers that, if the Supreme Government were assured of a substantial increase of revenue in 1880-81, the chief necessities of the case would be in fact met. He would suggest therefore that the various Local Governments be called upon to contribute according to their means towards this end; and to prove that the Government of Bengal is itself ready to make the sacrifices now suggested, I am to say that the Lieutenant-Governor is willing to submit to a reduction of 20 lakhs of rupees upon the Imperial allotment to Bengal for that year, that is to say, instead of Rs. 39,34,000, the allotment for 1880-81 may be taken at Rs. 19,34,000 only. But justice to the tax-payers of Bengal demands that corresponding reductions shall be simultaneously made in the allotments to other provinces.

Conditions of the above offer

6. The Lieutenant-Governor offers to submit to this reduction of the Provincial resources for 1880-81, on the understanding that, if it is accepted, no change will be made in the system of Provincial Services, or in the powers of the Local Government in connection therewith; and that no detailed revision will be made of the terms of the Provincial contracts until they have run their prescribed time. He would ask that the estimates of the current year in all departments may, as far as the Government of India is concerned, be allowed to hold good, it being left entirely to the Local Government to make such retrenchments, alterations, and changes as it may find to be necessary in consequence of the prospective diminution of its resources in the following year. He of course understands that the reductions in Public Works establishments, contemplated by the Financial Resolution of the 19th May, have still to be carried out, as may be settled by the Government of India

in communication with the Local Governments, but all other reductions ordered either by the Resolution of the 19th May, or by that of the 1st May, now under reply, should, he submits, merge in the general reduction of the Imperial grant now proposed. CXI—contd

Interference of the Supreme Government with provincial details avoided by the proposed method of meeting its wants.

7. The Government of India cannot fail to see that this reduction will entail great sacrifices and economies on this Government, while it will again defer that development of public works in Bengal for which the province has long been waiting, and from which alone its permanent prosperity can be secured. Personally the Lieutenant-Governor feels that he is giving up to a great extent the fair prospect that he had before him of starting or pushing on to completion many works of lasting usefulness. Still, by meeting the wants of the Supreme Government in the way proposed, less mischief will be done than would result from a detailed interference with provincial details. The Local Government will be able to economise where economy can do least harm, and the entire stoppage of progress ordered by the Resolution of the 1st May will, it may be hoped, be to a great extent avoided.

Impressing the fact that most of the funds now at the disposal of this Government have accrued from local taxation imposed expressly for carrying out Public Works

8. I am to invite the attention of His Excellency the Governor-General in Council to the fact that most of the funds now at the disposal of this Government, which enable it to come forward in this manner to meet the wishes of the Government of India, have accrued from local taxation imposed for the express purpose of carrying out public works. These funds have accumulated partly owing to the restrictions placed last year by the Government of India on the provincial expenditure generally, and partly owing to the delays in getting sanctions to the carrying out of provincial schemes of improvement. But the very fact that it is from accumulated balances and from a partial suspension of public works that the Local Government must meet the reduction of the Imperial grant, is sufficient evidence that such a reduction can only be made temporarily. The Provincial Services in Bengal cannot afford any considerable and permanent reduction of the present Imperial allotment; indeed the Lieutenant-Governor would hope that under no circumstances will the allotment for 1881-82 be less than 30 lakhs of rupees. Whether the Provincial revenues may eventually so develop as to render the Local Government independent of any grant from reserved Imperial revenues,

CXI—contd. time alone can shew; certainly it cannot be made so independent for some years to come.

Hoping that when the present difficulties are over, the Bengal Government will have a claim to an equitable distribution of the funds at the disposal of the Imperial Government for Productive Public Works

9. The Lieutenant-Governor hopes that the readiness with which the Government of Bengal has endeavoured to meet the wants of the Supreme Government under present difficulties will give it a claim to the equitable consideration of the Government of India when these difficulties are mitigated or removed. There can be no doubt that this province has not been treated altogether fairly in the matter of the distribution of the funds available for productive public works. Though Bengal is by far the largest, the most important, and the most paying province in India, out of three-and-a-half millions sterling originally set apart in the Imperial Budget for productive public works, only £150,000 were allowed it for the purposes of railway construction in the current year A complete system of railways is absolutely essential to the development of the trade of Bengal, to secure it from famine, and to enable it to help its famine-stricken neighbours. If the Government of India is really unable to provide funds for the adequate and rapid extension of such works in this province, then the Lieutenant-Governor thinks that immediate attention should be given to the necessity of inducing private companies to take up the work under a system of guarantee by the Local Government. That the transaction might be made a paying one, both for the companies and Government, there is no reason to doubt. If, on the other hand, the construction of railways here is indefinitely postponed, it is hopeless to expect any great development of the general revenues. With judicious expenditure on railways and communications, Provincial Services may very well, in the course of a few years, be made not only independent of, but contributory to, the Imperial Exchequer.

A complete system of railways is absolutely necessary

If the Government of India is unable to provide sufficient funds, private companies might be induced to take up the work under a system of guarantee by the Local Government

In the event of any fresh or special taxation becoming necessary, protests by anticipation against any proposal to impose exceptional burdens upon Bengal.

10. It may be hoped that, in view of the contributions realisable from the Local Governments in the manner now suggested, and looking to the considerations set forth in paragraph 3 of this letter, the Government of India will be able to avoid any fresh or special taxation. If, however, it should unfortunately become necessary to have recourse to this, the Lieutenant-Governor would by anticipation protest

against any proposal to impose exceptional burdens upon Bengal. There can be no greater delusion than to suppose that there is in Bengal any exceptionally wealthy class whom it is possible and desirable specially to tax. The really wealthy zemindars are extremely few in number (the majority of the landholding class are, indeed, in debt): the first-class traders are still fewer The road cess and provincial work cess are felt severely by the landholders of the middle and lower class, who have to advance the money and take their chance of recovering it along with their rent—by no means, at present, an easy process. The license tax does not promise to prove at all so remunerative as was expected, while it has created a large amount of local irritation which the Government cannot ignore, but can do little to alleviate. The Lieutenant-Governor can really point to no class of the community that is not at present bearing its full share of the public burden, and suffering more or less from high prices, bad trade, or adverse exchange. **CXI**-concld.

11. I am to take this opportunity of observing that the position of the Local Government in its relation to the tax-payers of Bengal has been somewhat compromised by the late remission of import duty on cotton goods. The public were specially assured by this Government at the time of passing the Cess Acts that the Public Works cess would be devoted to paying the interest of productive public works within the province, and that the license tax would be made over to the Government of India to enable that Government to insure the province against famine. They have seen the famine insurance funds swallowed up in the first year of their existence by the overwhelming exigencies of the Imperial Exchequer, and it will not be astonishing if they insist, however perversely, that the proceeds of the Public Works cess are now being made over by the Local Government to fill the deficit in the Indian Treasury caused by the concession so recently made to the claims of English manufacturers. Had the Local Governments had an opportunity of discussing a measure which thus so intimately affects them, they might have been able to lay before the Government of India considerations which might possibly have had some little influence upon the decision eventually arrived at.

Drawing attention to the somewhat compromised position of the Local Government in its relation to the tax-payers of Bengal by the late remission of import duty on cotton goods.

CXII.

No. 1291, dated Simla, the 16th June 1879.

From—R. B. CHAPMAN, Esq., Secy. to the Govt. of India, Financial Department,

To—The Secy. to the Govt. of Bengal, Financial Dept.

Giving a sketch of the financial position of the Government of India

BY his Resolution No. 410 of the 1st ultimo, the Governor-General in Council communicated to the Local Governments and Administrations a general statement of the measures which he proposed to take for the reduction of the public expenditure. It was, at the same time, announced that it had become necessary to revise the existing financial arrangements with the Local Governments with the object of obtaining relief to the Imperial Treasury, and averting, so far as possible, the necessity of imposing on the country fresh burdens, whether Imperial or Provincial. The Governor-General in Council stated his intention of immediately placing himself in communication with the several Local Governments, and of consulting them in regard to the particular measures which should be adopted for the attainment of that object.

2. These communications have already commenced, and His Excellency in Council thinks that it may facilitate the settlement of the questions which remain to be considered, if he now gives to the Local Governments a sketch of the present financial position of the Government of India.

3. The financial statement for the current year 1879-80, published on the 13th March last, was drawn up under very exceptional circumstances. They are well known to the Local Governments; but it may, nevertheless, be convenient to recapitulate them, and it will thus be easier to shew clearly the important changes in the financial position of the Empire which have taken place since the commencement of the official year.

4. Early in 1878 the Government of India declared the necessity of recognizing the fact that the obligations entailed on the Government by the periodical and inevitable recurrence of famine must be provided for among the ordinary charges of the State. As soon as it was admitted that famines must be looked on, not as abnormal or exceptional calamities, but as certain, from time time, to recur, it became obvious that sound financial policy obliged the Government to reject altogether the expedient of trusting to borrowing to meet the charges which they entailed, and that it was essential to make such an improvement in the financial position of the

Government as would enable it to meet those charges from its ordinary revenue. This could only be done by securing in years of normal prosperity a surplus sufficient to meet the excess expenditure which must be incurred in time of famine.* CXII-contd.

Financial statement for 1878-79, paragraph 15.

The Government decided that the amount of financial improvement necessary to enable it to undertake these new burdens could not safely be estimated at less than £1,500,000 a year. The net Imperial resources had, therefore, to be increased by that amount on account of famine alone.

5. £400,000 a year was provided, without any fresh taxation, either Imperial or Provincial, by administrative changes and improvements. The remaining £1,100,000 was furnished by additional taxation; and thus the requisite sum of £1,500,000 was made good.

The manner in which it was proposed actually to apply this surplus has often been explained. The public debt was to be reduced, or its growth prevented, to the extent of £1,500,000 a year, and thus resources were to be stored up in years of prosperity, by means of which, when famine actually occurred, it would be possible to discharge the heavy obligations which would then fall upon the State.

6. In the first statement made on the subject in the Legislative Council on the 27th December 1877, Sir John Strachey spoke as follows:—

"It is the firm intention of the present Government to apply the funds now to be provided for this special purpose strictly to the exclusive objects which they were designed to secure. In such matters, no doubt, Governments cannot fetter their successors, and nothing that we could now say or do would prevent the application of this fund to other purposes. Without thinking of a future far removed from us, events might, of course, happen which would render it impracticable even for us who have designed these measures, to maintain our present resolutions. So far, however, as we can now speak for the future, the Government of India intends to keep this million-and-a-half as an insurance against famine alone. In saying this, I should explain that we do not contemplate the constitution of any separate statutory fund, as such a course would be attended with many useless and inconvenient complications, without giving any real security. Unless, then, it should be proved hereafter by experience that the annual appropriation of a smaller sum from our revenues will give to the country the protection which it requires, we consider that the estimates of every year ought to make provision for religiously applying the sum I have mentioned to this sole purpose; and I hope that no desire to carry out any administrative improvement, however urgent,

CXII-contd. or any fiscal reform, however wise, will tempt the Government to neglect this sacred trust"

7. These assurances have frequently been repeated. The Governor-General in Council has never swerved from his resolution; he is at this moment as firmly determined as ever to maintain that resolution in all its integrity; and he has, he hopes, succeeded in maintaining it in spite of circumstances altogether beyond his control and of exceptional and extreme difficulty.

8. At the beginning of the last financial year 1878-79, the Government of India believed that it had not only secured the annual surplus of £1,500,000, required for the protection of the country against famine, but an additional surplus of nearly £500,000 to meet unforeseen contingencies. In the course of the year, however, circumstances occurred which made a very grave alteration in the financial position of the Government. The exchange value of the rupee fell to a most serious extent, and the country became involved in war. Notwithstanding these untoward events, the Government was able to meet from its revenues the whole charges of the war to the end of 1878-79, amounting to £670,000, to spend £555,000 on famine relief; and, in addition to all this, a surplus of £1,300,000 for famine insurance remained. Although the surplus of the year was increased by special causes, the hopes and assurances of the Government in regard to the provision of means for protecting the country against famine were, in 1878-79, more than fulfilled.* The accounts of the year not having yet been closed, the figures now given are necessarily open to some correction, but there can be no doubt of the substantial accuracy of these conclusions.

* *See* financial statement for 1879-80, paragraph 159

9. When three months ago the budget arrangements for the present year had to be made, the war still continued, and the fall in the exchange with London had become still more serious. Although the help expected from the British Treasury relieved the Government from immediate anxiety on account of the expenses of the war, it was impossible to say how long the war might continue, or what charges it might ultimately entail. The prospect presented by the further diminution of the exchange value of the rupee was, however, a cause of far greater financial apprehension.

CXII-contd.

10. It may be assumed that India has now to pay and raise in the year by taxation, on account of the Home charges, a sum exceeding by about £3,000,000 what would have been necessary if the exchange had remained at the rate prevailing before the long-standing equilibrium between gold and silver was disturbed.* The estimates of the present year were worse by £1,364,000 than they would have been if the exchange could have been taken at the same rate as that taken for 1878-79. This additional charge exceeded by about a quarter of a million the whole sum yielded by the new taxation imposed for the protection of the country against famine. In every other respect the condition of the finances was satisfactory. But for this cause, there would have been, apart from the war, a real surplus, on the estimates of the year, of more than £2,000,000. As matters actually stand, this surplus, after allowing for the loss of revenue caused by the partial remission of the duties on cotton goods, has been reduced to about £800,000†; a sum less by £700,000 than the surplus of £1,500,000 required on account of insurance against famine alone; and less by £1,200,000 than the total surplus of £2,000,000 which the Government of India has repeatedly declared to be required, and which, it believed a year ago, that it had secured.

* Financial statement for 1879-80, paragraph 276.

† Financial statement for 1879-80, paragraph 265.

11. The question whether this most serious and indefinite growth of the charges on account of loss by exchange could be prevented by an alteration in the law regulating the currency of India has, it is generally known, been long under the anxious consideration of the Government. If, as some authorities maintained, it could be shewn to be in the power of the Government to apply by this means, and without injury to the country, a sufficient remedy for the evil, it was clear that this course should be adopted. If, on the other hand, no such remedy was possible, other measures for the improvement of the financial position of the Government were not less clearly requisite. It seemed to the Government of India that this question must be settled before any measures for imposing new taxation, or for reducing really useful expenditure, could properly be adopted. The Governor-General in Council accordingly reported this conclusion, with a full statement of his own

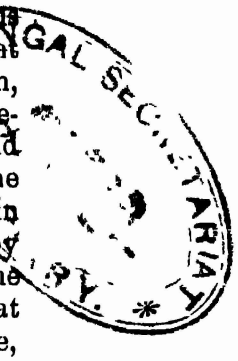
CXII-contd. views, to the Secretary of State; he said that, in the event of sufficient proof being given within a reasonable time, that through an alteration in the currency law, or by the operation of other causes, a permanent recovery of the exchange could be anticipated, "it would be prudent to accept the temporary loss of the surplus, secured by the arrangements made at the commencement of the present financial year, by which we had hoped that an insurance against famine had been provided for the people of India. We feel, however, that a final judgment on the question of policy cannot long be delayed without loss of character to the Government and serious danger to the country."

12. When the financial statement for the present year was published, this question was under the consideration of Her Majesty's Government, and the fact was announced in paragraph 280 of the statement. It was said that it was not desirable to enter further into the subject until "Her Majesty's Government has had time to mature its decision in regard to the measures which ought to be taken." It was added that, although for the present the Governor-General in Council thought it wise to abstain from imposing any fresh burdens on the country, and to accept the temporary loss of the famine insurance surplus, he would "in no degree abandon the imperative duty of making, to the utmost of his ability, provision for protecting the country against famine. He still believes that a surplus of £1,500,000 a year, in ordinary times, is necessary to cover this liability alone."

13. It still appears to the Governor-General in Council that no other conclusion could, under the circumstances of the case, have been reasonably adopted; and this conclusion, which was rendered desirable by the position of the question of exchange, would, if no such question had arisen, have been rendered necessary by the war. The Government of India has always declared that circumstances calling for seriously increased expenditure of a temporary character might occur in which it would be wise to accept the temporary suspension of the famine insurance surplus as the lesser of two evils. This was the policy which the Government of India resolved, under the circumstances described, to adopt at the commencement of the present year; and although it was unfortunate that the contingency which had been foreseen as possible should have occurred so soon after

the arrangements for the protection of the country against famine were supposed to have been completed, the Governor-General in Council has no doubt that the proper course was taken. CXII-contd.

14 Although the Governor-General in Council thus resolved to await the decision of Her Majesty's Government on the important question which was under its consideration, he did not on this account neglect the duty of being prepared to take immediate action, if that decision should render it necessary to abandon the expectation that some relief from the increasing difficulties caused by the fall in the value of silver in relation to gold might be found by altering the law by which the currency is regulated. The official orders of the Secretary of State, to the effect that measures in this direction appeared impracticable, were issued on the 19th May; but their purport was known to the Government of India a few weeks earlier. About the same time it became possible to look forward with confidence to the termination of the war, and to the removal of the anxiety which was felt on this account when the financial statement was made. On the 1st May the resolution referred to in the first paragraph of this letter was published, declaring that immediate measures must be taken for the reduction of the public expenditure in all its branches, and for the revision of the arrangements between the Imperial and Provincial Governments. The Governor-General in Council has no doubt that every one will agree in the opinion that, however unfortunate may be the necessity for these measures, it was the duty of the Government to take them, rather than impose fresh taxation.



15. The orders that have already been issued provide for a reduction next year of £733,000 on the ordinary Imperial and Provincial grants for public works, and stringent measures are being taken for the reduction, at no little sacrifice, of the central establishments of the Government of India. The amount by which the revision of the Provincial assignments will increase the resources of Imperial Treasury cannot now be stated; but there can be no doubt that it will be considerable. The Governor-General in Council hopes, by the various measures in progress, to obtain, in the civil departments alone, an improvement in the finances which may, with the active co-operation of the Local Governments, amount to £1,000,000; against this, however,

CXII—contd. there must be a serious set-off on account of pensions, and other forms of compensation to the officers with whose services it will be necessary to dispense.

16. With the object of examining into the whole question of military expenditure in India, and the possibility of reducing it without interfering with the efficiency of the army, a commission of experienced military and civil officers, under the presidency of Sir Ashley Eden, has been appointed. An investigation by a Committee, under the presidency of the Earl of Northbrook, is also going on at the present time in London into the question of the Home military charges. The Governor-General in Council cannot now say anything in regard to the probable results of these enquiries in this country and in England, but it is his earnest hope and expectation that they will prove beneficial in a high degree to the interests of India.

Expressing the hope that it may be possible to avoid the imposition of fresh taxation, while maintaining the finances of the Empire in a thoroughly sound condition.

17. It has been shewn in the 10th paragraph of this letter that the sum of £700,000 must be provided to restore in its integrity the surplus of £1,500,000 required as an insurance against famine. The reductions of expenditure, and the other measures which have already been taken, have more than covered this amount. It may therefore be confidently said that the Government of India has already, without imposing fresh burdens on the people, made provision for securing the full amount of the surplus originally declared necessary for protecting the country against famine, as well as for recouping the loss of revenue caused by the reductions lately made in the duty on cotton goods.

18. In saying this, it is of course assumed that no fresh causes will lead to a large increase of expenditure, or to a large falling off in the revenue. With the single exception of the loss by exchange, no cause of financial anxiety is now apparent; but how serious this exception may prove in the future has unfortunately been shewn most forcibly by the experience of the past. This indefinite and uncontrollable liability throws an element of doubt into all the financial arrangements of the Government; it is this liability which has rendered necessary the stringent measures which have been taken for reducing expenditure on works most useful to the country and essential to its rapid progress, which has obliged the Governor-General in Council to disturb, to some extent, the satisfactory relations established between the Supreme and Provincial Governments, and has

made it impossible to say that India may not have to submit hereafter to further sacrifices. His Excellency in Council is not on this account less firm in his resolution to maintain the finances of the Empire in a thoroughly sound condition, nor is he less confident of complete success in carrying that resolution into effect. **CXII**—concld.

19. The local Governments are aware that it has been decided to reduce very largely the expenditure not only on ordinary public works, but, in accordance with the instructions of the Secretary of State, on productive works also. His Excellency in Council does not disguise from himself the serious injury which must be caused by even the temporary restriction of a policy followed for many years past with eminent success, and which, in spite of all mistakes, has promoted to an extraordinary degree the material progress of the country. The Government of India greatly regrets the unfortunate necessity under which, by causes altogether beyond its control, it has thus been placed. Regretting that it has become necessary to reduce very largely the expenditure not only on Ordinary Public Works, but no Productive Works also

20. Rigid economy in every branch of the public service is, in present circumstances, the policy which must be followed. To quote again the words of the resolution of the 1st May:— Rigid economy in every branch of the public service is the policy which must be followed.

> "Unless positive necessity exists, no improvements in administration, however desirable, must be undertaken if they involve increased charges; no fresh establishments must be entertained; no new offices must be created; no new works, which it is possible to postpone, must be commenced."

It is through this policy of retrenchment and economy that the necessity for fresh taxation has for the present been avoided; and if the fall in the value of silver in relation to gold should further increase, strict adherence to that policy will be more than ever essential. The Governor-General in Council knows that every Local Government and Administration in India will give to him its loyal support in carrying out the measures which he has resolved to adopt.

CXIII.

No. 1505, dated Simla, the 30th June 1879.

From—R. B. CHAPMAN, Esq., Secy. to the Govt. of India, Financial Department,

To—The Secretary to the Government of Bengal, Financial Department.

I AM directed to reply to your confidential letter No. 347T, dated the 13th instant, reporting the measures which His Honor the Lieutenant-Governor proposes with

CXIII— continued.

the object of assisting the Government of India in its efforts to reduce expenditure and to avoid the necessity of fresh taxation.

Intimating that there has never been any intention of interfering in detail with the system of Provincial Services, and that there is no such difference of opinion on this subject as the Lieutenant-Governor seems to have supposed

2. Before referring to the specific proposals contained in your letter, I am to state that the views of the Governor-General in Council have not been, in some important respects, correctly understood by the Government of Bengal. While His Excellency in Council has declared the necessity of enforcing every practicable economy in both Imperial and Provincial expenditure, and has been obliged to call on the Local Governments to submit to a revision of the existing arrangements between themselves and the Government of India, with the object of obtaining relief to the Imperial Treasury, it was distinctly stated in the Resolution of the 1st May that "nothing is further from the intention of His Excellency in Council than to interfere in any way with the principles of the policy which has for some years past been followed with signal success." It was added that the Government of India did not "in any way contemplate greater restrictions on the power of the Local Governments in future than have been exercised under the rules actually in force," and it was explained that the orders given for the suspension of new works were intended to be merely temporary, and to have effect only until further arrangements could be settled with the Local Governments. There has never been any intention to interfere in detail with the system of Provincial Services actually in force, and there is no such difference of opinion on this subject as His Honor the Lieutenant-Governor seems to have supposed.

Accepting the following arrangements

3. The proposals made in paragraphs 5 and 6 of your letter are in complete accordance with the principles on which the Governor-General in Council desires to act, and they are cordially accepted by His Excellency. It will consequently be understood that the following arrangements will be carried out:—

(I) That the Provincial estimates of the current year remain untouched by the Government of India, the Local Government making such retrenchments and alterations as it may find to be necessary

(1.) The Provincial estimates of the current year in all departments will, so far as the Government of India is concerned, remain untouched, and it will be left to the Local Governments to make such retrenchments and alterations as it may find to be necessary in view of the prospective diminution of its resources in 1880-81.

CXIII—continued.

(2.) The Imperial allotment to Bengal for 1880-81 will be reduced by 20 lakhs of rupees; that is to say, instead of Rs 39,34,000, the allotment (subject, however, to the condition stated in clause 5) will be Rs. 19,34,000.

(2). That the Imperial Allotment for 1880-81 to Bengal be reduced by 20 lakhs of Rupees.

(3.) With the exception of the reductions in Public Works Establishments, all reductions of expenditure ordered by the Resolutions of the 1st and 19th May will merge in this general reduction of the Imperial allotment.

(3). That, excepting those in Public Works Establishments, all reductions in expenditure ordered merge in this general reduction of the Imperial Allotment.

(4.) The reductions to be made in Public Works Establishments will be settled hereafter in communication with the Local Government. To whatever extent such reductions may be made the Imperial allotment will be subject to separate reduction, in addition to the reduction mentioned in clause 2. But no such further reduction in the allotment will be made until the establishments are actually reduced.

(4). That to whatever extent reductions in Public Works Establishments may be made, the Imperial Allotment be subject to separate reduction in addition to the reduction mentioned in clause (2).

(5.) The existing system of Provincial Services, and the powers of the Local Governments in connection therewith, will remain unaltered.

(5). That the powers of the local Governments remain unaltered.

4. My letter No. 1291, dated the 16th instant, will have shown that the Governor-General in Council entirely shares the anxiety expressed by the Lieutenant-Governor that it may be possible to avoid the imposition of fresh taxation. His Honor has stated his hope that, if, unfortunately, such taxation should become necessary, no exceptional burdens may be placed on Bengal. His Excellency in Council is not aware that any measures have at any time been contemplated which would have the effect which His Honor has deprecated, and he fully recognises the duty which rests on the Government of India of distributing the public burdens in a manner which shall be equally and impartially just to the several provinces of the Empire.

No measures have been contemplated which would have the effect of imposing exceptional burdens on Bengal.

CXIII—concluded.

The assurances to the public in connection with the Public Works cess and the license tax referred to in paragraph 11 of the Bengal Government letter under reply were not, whatever they were, sanctioned by the Government of India

5. The Governor-General in Council does not propose to discuss with the Government of Bengal the questions referred to in the 11th paragraph of your letter. There is, however, one passage which he cannot leave unnoticed, lest his silence should be interpreted as acquiescence. "The public," it is said, "were specially assured by this Government, at the time of passing the Cess Acts, that the Public Works cess would be devoted to paying the interest of productive public works within the province, and that the license tax would be made over to the Government of India to enable that Government to insure the province against famine." His Excellency in Council does not know what are the assurances thus referred to, but they were certainly not sanctioned by the Government of India, and they are altogether at variance with the principles which His Excellency in Council has at all times maintained.

6. There are some other questions noticed in your letter which it will be convenient to reserve for separate consideration. I am directed, in conclusion, to offer to the Lieutenant-Governor the cordial acknowledgments of the Governor-General in Council for the promptitude and loyalty with which he has come forward to assist the Government of India in its resolution to maintain the finances of the Empire in a satisfactory condition.

CXIV.

No 1737, dated Simla, the 18th July 1879.

From—R B CHAPMAN, Esq, Secy. to the Govt. of India, Department of Finance and Commerce,

To—The Secy. to the Govt. of Bengal, Financial Dept

IN the correspondence marginally noted, it has been, among other arrangements, settled that, in consequence of the existing financial necessities, the provincial assignment of Bengal shall be reduced in 1880-81 by Rs. 20,00,000.

Letter from the Government of Bengal, No 347T, dated 13th June 1879.

Letter to the Government of Bengal, No. 1505, dated 30th June 1879.

2. His Honour the Lieutenant-Governor will have understood from my letter of the 30th ultimo that the special restrictions intimated in Resolution No. 410, dated 1st May 1879, have been entirely withdrawn so far as they affect the Government of Bengal, which will regulate its provincial expenditure in all departments at its discretion, subject only to the general

rules and restrictions which have hitherto governed that expenditure. **CXIV—concluded.**

6. The Governor-General in Council, however, thinks it desirable to ask the Lieutenant-Governor to bear in mind that the Government of India cannot now guarantee any of the Local Governments against retrenchment of their provincial assignments for 1881-82 and subsequent years. Although there will be every desire on the part of the Government of India to interfere to the least possible extent with the arrangement formerly made, and to make no retrenchment that it is possible to avoid, His Excellency in Council sees too much reason to apprehend that continued retrenchments may be necessary unless the exchange with England should improve. Under these circumstances, the Lieutenant-Governor will, His Excellency in Council has no doubt, take care that in the management of the provincial finances such a contingency is always kept in view.

Impressing the necessity of keeping in view the contingency of retrenchment of the provincial assignments for 1881-82 and subsequent years.

No. 3631, dated Simla, the 6th November 1879. **CXV.**

RESOLUTION—By the Government of India, Dept. of Finance.

READ again—

Financial Resolution No. 410, dated 1st May 1879.

Read also the undermentioned papers on the subject of reductions in the Provincial assignments for the year 1880-81:—

Letter to the Government of Bengal, No. 1737, dated 18th only 1879.

Letter to the Government of Punjab, No. 1736, dated 18th July 1879.

Letter to the Chief Commissioner of British Burma, No. 1738, dated 18th July 1879.

Letter to the Chief Commissioner of Assam, No. 1868, dated 25th July 1879.

Letter to the Government of Bombay, No. 2076, dated 5th August 1879.

Letter to the Government of the North-Western Provinces and Oudh, No. 2135, dated 9th August 1879.

CXV—concluded.

Letter to the Chief Commissioner, Central Provinces, No. 2186, dated 14th August 1879.

Letter to the Government of Madras, No. 3632, dated 6th November 1879.

Nature of the settlement with the several Local Governments and Administrations in consequence of the financial necessities of the Supreme Government.

IT has been settled in communication with the several local Governments and Administrations that, in consequence of present financial necessities, each Provincial Government shall surrender to the Government of India a portion of its Provincial assignment for the year 1880-81, and that any savings effected by the reduction of the Provincial Public Works establishments shall also accrue to the Imperial Treasury. In consideration of these arrangements, the Government of India has withdrawn the restrictions placed by paragraph 13 of the Resolution of 1st May 1879 upon the control of Provincial Governments over their Provincial expenditure.

Statement of the amounts surrendered to the Government of India by the several Provincial Governments out of their Provincial assignments for 1880-81.

2. The amounts which the several Provincial Governments have agreed thus to surrender to the Government of India out of their Provincial assignments for 1880-81 are as follows:—

	Rs.
Government of Bengal	20,00,000
„ of North-Western Provinces and Oudh	15,00,000
„ of Bombay	8,00,000
„ of Madras	8,00,000
„ of Punjab	6,00,000
Chief Commissioner, British Burma, about ...	6,00,000
„ „ Central Provinces ...	5,00,000
„ „ Assam, about	3,00,000
Total ...	71,00,000

3. The Governor-General in Council thanks the several local Governments and Administrations for the assistance which they have thus rendered to the Government of India in its resolution to maintain the finances of the Empire in a satisfactory condition.

CXVI.

No. 1955, dated Fort William, the 17th December 1879.

From—R. B. CHAPMAN, Esq., Secy. to the Government of India, Department of Finance and Commerce,

To—

Inquiring whether there is any objection to the contributions to

WITH reference to Resolution No. 3631, dated 6th November 1879, I am directed to say that the Governor-General in Council is disposed to think that it may be more

CXVI—concluded.

convenient if the contributions of the Provincial Governments to the Imperial Treasury, therein described, are divided equally between the years 1879-80 and 1880-81, and to enquire whether the Government of have any objection to this arrangement being made, and whether the Provincial balances at credit of the Government of on the 31st March are likey to suffice to meet the charge which would fall upon them if this course were taken. It will be understood that His Excellency in Council does not wish to decide at the present time whether he will actually take the whole contributions in the next year, or half in each year; but he is anxious to receive the views of the Local Governments on the subject, in case he should eventually prefer the latter alternative.

the Imperial Treasury being divided equally between the years 1879-80 and 1880-81.

CXVII.

No. 10, dated Calcutta, the 3rd January 1880.

From—The Asst. Secy. to the Govt. of Bengal, Financial Department,

To—The Secy. to the Govt. of India, Dept. of Finance and Commerce.

I AM directed to acknowledge the receipt of your letter No. 1955, dated the 17th ultimo, and in reply to say that, if it suits the convenience of the Government of India, the Lieutenant-Governor is quite willing that half of the Bengal contribution of twenty lakhs to the Imperial Treasury should be taken in the current year.

Agreeing to half of the Bengal contribution of 20 lakhs being taken in the year 1879-80.

CXVIII.

Extract (paragraph 42) from the Financial Statement for 1882-83, *dated the 8th March* 1882.

Repayment of War contributions.—Paragraph 42.—The satisfactory condition of the finances has enabled the Imperial Government to restore to the Provincial Governments the contributions, amounting to £670,000, which were paid by these latter Governments in the years 1879-80 and 1880-81, at a time when, by reason of the Afghan War, the strain on the Imperial finances was severe.

Restoring of the contributions made by the Provincial Governments.

CXIX. GRANT OF TWELVE LAKHS FOR PUBLIC WORKS DURING 1880-81 FROM PROVINCIAL BALANCES.

Dated Calcutta, the 12th March 1880.

RESOLUTION—By the Govt. of Bengal, Financial Department.

READ—

A memorandum from the Public Works Department, of the 30th July 1879, reporting that the Public Works grant for the years 1879-80 had been reduced by five lakhs of rupees on account of the restrictions placed by the Government of India upon Public Works expenditure

The orders of the Government of India in the Financial Department, No. 1505, dated 30th June, withdrawing the restrictions placed upon Provincial expenditure in Bengal, and leaving the question of retrenchment to the discretion of the local Government.

This office letter No. 822T, dated 27th October, fixing the Ordinary Public Works grant for 1880-81 at thirty-eight lakhs of rupees, inclusive of a sum of four lakhs for the maintenance of the Nuddea rivers and canals.

A memorandum from the Public Works Department, No. 204A, dated 2nd March 1880, representing that a further grant of four lakhs of rupees will be necessary to meet expenditure actually being incurred during 1879-80.

A memorandum from the Public Works Department, No. 205A, dated 2nd March, representing that the grant made for 1880-81 is insufficient to meet the demand for urgent and necessary works.

The regular estimates of Provincial receipts and expenditure for 1879-80.

Sanctioning the re-grant of 4 lakhs of rupees to the Public Works Department out of the sum of 5 lakhs reduced in the early part of the year

THE Lieutenant-Governor did not, upon receipt of the orders of the Government of India of the 30th June last, withdraw the instructions he had given for reducing the Public Works expenditure of the year, preferring to wait for a few months until the prospects of the Provincial revenues could be more safely estimated. With the approach of the working season it was seen that there were no grounds for apprehending unfavourable results, and though no formal orders were recorded on the subject, expenditure was allowed to proceed upon sanctioned estimates. It is now reported

that a sum of four lakhs of rupees is necessary to meet the ordinary requirements of Executive Engineers up to the close of the year and for the purchase-money of Bishop's College, which has been converted into a Civil Engineering College and Technical School. The Lieutenant-Governor sanctions the re-grant of this sum to the Public Works Department, it being less than the amount reduced in the early part of the year. The purchase-money for Bishop's College should, if possible, be paid before the close of the year. **CXIX—concluded.**

2. The Public Works grant for 1880-81 was fixed by Sir S. Bayley in October before the results of the financial year could be properly foreseen and at a time when it was supposed that any money diverted from Ordinary Public Works could be eventually utilized in railway extension. It now appears that the grant made is only sufficient to meet the cost of ordinary repairs and maintenance, and to carry on in a very inadequate way works already in hand. There are numerous important projects approved by Government to which it has been found impossible to make any allotment. The local Government is moreover at present prevented, by the orders of the Secretary of State, from spending any of its Provincial funds on Productive Public Works. Under these circumstances, the Lieutenant-Governor directs that the Ordinary Public Works grant for 1880-81 be increased by twelve lakhs of rupees. The Provincial balances as shown in the regular estimate will admit of this expenditure, and still leave a large sum available for railways should the Secretary of State withdraw or modify the limitation now placed on the grants for Productive Public Works. The Secretary to Government in the Public Works Department will be requested, in consultation with the Joint-Secretary, Railway and Irrigation Branches, to submit as soon as possible supplementary detailed estimates to the amount of the twelve lakhs now granted.

Ordering an increase of 12 lakhs of rupees to the grant for Ordinary Public Works for 1880-81.

CXX.

No. 779, dated Simla, the 27th May 1880.

From—R. B. CHAPMAN, Esq., Secy. to the Govt. of India, Department of Finance and Commerce,

To—The Secretary to the Government of Bengal, Financial Department.

I AM directed to acknowledge the receipt, with your endorsement No. 577, dated 12th March 1880, of a Resolution of the Government of Bengal of that date, ordering an

CXX—concluded.

increase of 12 lakhs of rupees in the grant for ordinary public works for 1880-81.

Intimating that the increase of 12 lakhs of rupees sanctioned by the Lieutenant-Governor not having been entered in the estimates for the year, cannot at present be allowed.

2. I am to invite the attention of His Honor the Lieutenant-Governor to Financial Resolution No. 2857, dated 12th September 1878,* and to state that the Governor-General in Council regrets that the increase sanctioned by His Honor, which was not entered in the estimates for the year, cannot at present be allowed.

COPY forwarded to the Public Works Department and to the Accountant-General, Bengal, for information.

CXXI.

No. 362T, dated Darjeeling, the 10th June 1880.

From—A. MACKENZIE, ESQ., Secy. to the Govt. of Bengal, Financial Department,

To—The Secretary to the Government of India, Department of Finance and Commerce.

I AM desired to acknowledge receipt of your letter No. 779 of the 27th May, intimating that the Governor-General in Council declines at present to sanction the increased provision of 12 lakhs of rupees on account of public works in Bengal, which the Lieutenant-Governor ordered to be made in his Resolution No. 577 of the 12th March last. In explanation of this decision, the Lieutenant-Governor is referred to Financial Resolution No. 2857 of the 12th September 1878,* in which it was laid down that local Governments could not be allowed at their own discretion, and "without communication with the Government of India," to spend, even from balances at their credit, more than they had actually estimated to spend before the year began.

Representing that the orders of the Lieutenant-Governor sanctioning the additional allotment of 12 lakhs of rupees had been before the Government of India for some weeks without any objec ion having been taken to them, and that much of the grant has already been expended.

2. I am to explain, for the information of His Excellency the Governor-General in Council, that it was with special reference to the restrictions laid down in that Resolution that the Lieutenant-Governor communicated to the Government of India a copy of his orders dated the 12th March. Those orders having been before the Government of India for some weeks without any objection having been taken to them, it was reasonably assumed that they were accepted by the Supreme Government; and all the detailed arrangements of this Government for the year in the Department of Public Works have been made on that assumption.

Vide pages 197 to 200.

CXXI—continued.

Much of the grant has already been expended on works of great importance. About three lakhs of rupees are due for material ordered from England for the tramway from the Rungpore terminus of the Northern Bengal State Railway towards Assam—a work likely to be of the utmost value to the province of Assam, and already far advanced. Five or six lakhs have been devoted to the railway to Diamond Harbour, with which this Government has been allowed to proceed by the Government of India in the Public Works Department. Two and-a-half lakhs have been assigned and are being spent on the Jajootee Drainage Scheme, in the district of Hooghly—a work which the Government of India has repeatedly expressed a wish to see pushed on. It will cause the utmost confusion and difficulty, not only in the ordinary Public Works Branch, but in the Railway and Irrigation Departments, if the orders are now, after such long delay, to be summarily set aside.

Explaining that while the grant did not nearly exhaust the anticipated improvement in the Provincial Balances, it was actually notified before the commencement of the year in which it was to take effect.

3. Apart from this, however, I am to submit that there are the strongest possible reasons why the Government of India should confirm and not disallow the proceedings of the Local Government in this matter. When Sir Steuart Bayley fixed provisionally the allotment for public works to which it is now sought to bind the local Government, it was supposed that the Supreme Government would have to receive from the provincial balances at the close of 1879-80 the full sum of 20 lakhs of rupees, which the Lieutenant-Governor had consented to give as a special contribution to the Imperial Exchequer, and that, after making this payment, the closing balance of the year would not exceed 20 lakhs of rupees, the amount which this Government has always looked upon as its proper working balance. Eventually it was arranged that the Government of India should only take 10 lakhs of rupees in 1879-80; and owing to the continuous check maintained over expenditure by this Government, and the satisfactory returns from the various branches of revenue placed under its control, it was found that the closing balance of the past year, after meeting the demand of the Government of India, would come to upwards of 40 lakhs of rupees, or exactly double the amount anticipated. Under these circumstances the Lieutenant-Governor made the additional allotment of 12 lakhs of

CXXI— continued.

rupees on account of works to which exception is now taken, and at once informed the Government of India of the fact, believing that no embarrassment could possibly be caused to that Government thereby, inasmuch as, while the grant did not nearly exhaust the anticipated improvement in the balances, it was actually notified before the commencement of the year in which it was to take effect. In fact the Lieutenant-Governor considered that it merely took the place of much larger grants on account of productive public works, which this Government had, as the Government of India was aware, been anxious to make.

No answer having been given to the letter of the 28th January 1880, pressing the policy of utilizing the Provincial Balances for the benefit of the province in connection with Productive Public Works, the Lieutenant-Governor sanctioned the allotment of a part of the accumulations to Ordinary Public Works, there being many useful schemes which have long been waiting for funds

4. In my letter No. 194 of the 28th January,* the Lieutenant-Governor pressed very strongly upon the Government of India the policy of utilizing to the full the provincial balances of Bengal in connection with productive public works within the province; and it was only when he found that no answer was given to that letter, that he recorded his Resolution, dated the 12th March, and devoted a part of his accumulations to the ordinary public works of the province, which have for years past been unduly starved. He would always prefer to spend the surplus revenue accruing from the Public Works Cess and other sources of provincial income upon works of a more or less directly productive character; but failing these, there are many useful schemes which have long been waiting for funds, to which provincial accumulations might very properly be devoted; and it was to new works of this class that it was intended to allot the bulk of this grant of 12 lakhs. One of these works, as above mentioned, was the long-deferred drainage and water-supply of the Hooghly district, which has for years suffered from a very fatal fever caused by the closing of old rivers. My letter of the 28th January has since been answered by your communication No. 404* of the 8th May, by which the local Government is allowed to proceed with productive works, so long as the expenditure can be properly recorded under any of the ordinary heads of account. But the orders of the Government of India now under reply practically cancel this concession, of which the Lieutenant-Governor had hoped to take advantage by devoting to railway extension a part of the 12 lakhs assigned to Public Works, Ordinary.

* *Vide* pages 213 to 215

CXXI—continued.

5. The Government of India are doubtless aware that there is springing up in Bengal a strong feeling of discontent in connection with the question of taxation on account of public works, and the accumulation of balances which are never utilized for the benefit of the province. It was supposed that, under the system of provincial finance, the revenues of Bengal would be devoted to developing its material resources and giving the province those works and communications the need of which was universally admitted. Unfortunately, from one cause or other, the Government of Bengal has never been able to make proper use of its surplus provincial revenue. First, the famine swept away all that Sir George Campbell had accumulated. Then, afterwards, as funds have become available, restrictions have been repeatedly placed upon their expenditure by the orders of the Supreme Government. The Lieutenant-Governor does not say that the exigencies of the State may not have fully warranted these restrictions in the past; but he feels that the practical result has been greatly to nullify the anticipated benefits from the system of provincial finance, and to lend a specious justification to the popular cry that the local Governments are merely utilized for the accumulation of funds which the Government of India spends upon Imperial and extra-provincial objects. As a matter of policy and good government, it is extremely undesirable that any such idea should take firm root in the minds of the people; and the Lieutenant-Governor is particularly anxious that the people of Bengal should be convinced by practical demonstration that the funds raised within the province by special taxation on account of public works are actually so spent, and not allowed uselessly to accumulate. Holding these views, Sir Ashley Eden would, even in October last, had he been then in Bengal, have made a much larger allotment for public works than Sir Steuart Bayley, who was only temporarily in charge of the province, felt himself warranted in giving. And in view of the much more favourable state of things with which the year closed, he trusts that the Government of India will not only sanction the extra allotment of 12 lakhs of rupees provided in the Resolution of the 12th March, but allow this Government to spend, under the terms of your letter No. 404 of the 8th May, any sums that it may be found possible to utilize in productive works, provided only that the estimated provincial balance is not

Noticing the feeling of discontent springing up in Bengal in consequence of funds raised by special taxation on account of Public Works not being actually so spent.

Asking for sanction not only to the extra allotment of 12 lakhs, but to the expenditure on Productive Public Works of any surplus balances in excess of 20 lakhs.

CXXI—continued.

reduced below a minimum sum of 20 lakhs of rupees. As a general rule, the Lieutenant-Governor considers that the Government of Bengal should be allowed to spend within the province, upon works and schemes of public utility, any surplus in excess of that minimum balance. It is only thus that justice can be done to the tax-payers, whose burdens have within the last ten years been very largely increased in the shape of road cess, public works cess, municipal taxes, and license-tax; and it is only in this way that the system of decentralization of finance can be really carried out.

6. I am to add that to Sir Ashley Eden personally this order of the Government of India is extremely disappointing and disheartening. He believes that the Government of India will admit—indeed they have already frequently admitted—that great strides have been made during the last few years in improving the financial condition of the provinces administered by the Lieutenant-Governor of Bengal; but this is the fourth year of Sir Ashley Eden's administration, and he has never yet been permitted to expend on the improvement of the province the funds accumulated in the manner indicated above. The Lieutenant-Governor presumes that the orders of the Government of India, to which exception is now taken, are to a great extent based upon the deficit which has arisen in consequence of the increased and unforeseen expenditure on the Afghan war, but he submits that it is extremely hard that Bengal should be made to suffer for this miscalculation, for which it is in no way responsible. The great inducement held out to the local Governments to secure their willing acceptance of the provincial system of finance was that they would be able to proceed steadily with works of improvement, within the limit of their provincial revenues, without being exposed to the constant suspension of all such works in consequence of financial difficulties in other parts of the Continent. The Lieutenant-Governor presumes that if this increased military expenditure had been foreseen, it would have been met by a war loan; and it will be remembered that he ventured to suggest, at the time, that the attempt to meet the cost of the war from annual revenues, at the risk of starving public works, was unsound in principle. It has apparently been determined now to raise a special loan to meet the deficit in ordinary revenue, and it is not therefore, I am

Urging that as a special loan is to be raised for meeting the deficit in ordinary revenue consequent on a miscalculation of the expenditure on the Afghan War, there does not appear to be any necessity for restricting this Government in its expenditure on Public Works in the manner proposed.

to submit, necessary to restrict this local Government in the manner proposed, in its expenditure on works which are of the greatest benefit to the province.

CXXI—concluded.

No. 1574, dated Simla, the 5th July 1880.

CXXII.

From—R. B. CHAPMAN, Esq., Secy to the Govt. of India, Department of Finance and Commerce,
To—The Secy. to the Govt. of Bengal, Financial Dept.

I AM directed to acknowledge the receipt of your letter No. 362T, dated 13th June, asking for a reconsideration of the orders conveyed in my letter No. 779, dated 27th May 1880, refusing to allow the expenditure of Rs. 12,00,000 from the Bengal Provincial balances in excess of the amount provided in the estimates.

2. In reply, I am directed to say that the considerations adduced in your letter do not seem to the Governor-General in Council to be relevant to the grounds upon which the orders of the 27th May were based.

3. In accordance with the resolution of the Government of India, No. 2857, dated 12th September 1878,* it was open to the Government of Bengal to have provided in its estimates for the current year for the expenditure of any part of its Provincial balances. The Government of India did not in any way discourage such provision. In the same way it will be competent to the Government of Bengal to arrange to spend any part of its balances in the coming year 1881-82

4. But, for the reasons stated in the resolution of September 1878, a local Government cannot be allowed to spend its balances unless it has made provision for so doing in its estimates. The reasonableness of the principle of this rule was fully admitted by the Hon'ble the Lieutenant-Governor in Mr. Barbour's letter No. 5027,* dated 12th November 1878, in accordance with a request contained in which letter the Governor-General in Council agreed, in my letter No. 476, dated 31st January 1879,* to the expenditure during the year of any sums saved from the estimated expenditure during the year and any unanticipated increase of revenue.

A Local Government cannot be allowed to spend its balances unless it has made provision for so doing in its estimates, but it may spend sums saved from the estimated expenditure during the year, and any anticipated increase of revenue.

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* *Vide* pages 200 to 202.

CXXII—concluded.

The Government of India cannot acquiesce in any further relaxation of the general rule

5. His Excellency in Council thinks that, upon reconsideration, the Hon'ble the Lieutenant-Governor will agree with him that the general responsibility of the Government of India makes it impossible for him to acquiesce in any further relaxation of the general rule, and that in other respects it is reasonable that a local Government should complete its financial arrangements before the beginning of a year, and should not materially alter them during its course.

This Government cannot be permitted to spend from its balances in 1880-81 12 lakhs in excess of its estimates.

6. Accordingly the Governor-General in Council regrets that he cannot modify the decision contained in my letter No. 779, dated 27th May 1880, or permit the Government of Bengal to spend from its balances in 1880-81 twelve lakhs of rupees in excess of its estimates.

Regretting the delay in reminding this Government of the restrictions of Financial Resolution No 2857, dated 12th September 1878.

7. In conveying these orders I am to express the regret of the Governor-General in Council that, owing to the press of urgent business, earlier attention was not given to the resolution of the Government of Bengal received with your docket No. 577, dated 12th March, and that it was not till the 8th May that the Government of Bengal was reminded of the restrictions of resolution No. 2857, dated 12th September.

This Government authorized under the circumstances to renew its present request in November.

8. Under these circumstances the Governor-General in Council will be glad if the condition of the finances towards the end of the year should be such as to enable him to permit the Government of Bengal to proceed with the expenditure contemplated in your present letter, without waiting for the termination of the current year.

9. Accordingly, should the general circumstances appear favourable, the Government of Bengal is authorized to renew its present request in the month of November next.

CXXIII.

No. 947A, dated Fort William, the 6th September 1880.

From—Lieut.-Coll. F. S. Stanton, R.E., Offg. Secy. to the Govt of Bengal, Public Works Department,

To—The Secretary to the Govt. of Bengal, Financial Dept.

Inquiring whether any extra grants can now be made to the Public Works Department.

Referring to paragraph 4 of letter No. 1574 of the 5th July last, from the Government of India, in the Financial Department, to your address, I am directed by the Lieutenant-Governor to enquire whether any grant can now be made to the Public Works Department from any sums "saved from the estimated expenditure during the year," or from any "unanticipated increase of revenue."

No. 2162, dated Calcutta, the 17th September 1880. **CXXIV.**

From—The Asst. Secy. to the Govt. of Bengal,

To—The Secy. to the Govt. of Bengal, Public Works Dept.

Placing a sum of 8 lakhs at the disposal of the Public Works Department out of unanticipated increase of revenue.

WITH reference to your letter No. 947A, dated the 6th instant, enquiring whether any grant can be made to the Public Works Department from any sums saved from the estimated expenditure during the current year, or from any unanticipated increase of revenue, I am directed to say that it is too early in the year to be able to say if there are likely to be any great savings under any heads of expenditure, but that the Lieutenant-Governor thinks that a grant of 8 lakhs may be made at once out of the increase of revenue now anticipated, especially under Stamps and Excise, and this amount will accordingly be placed at the disposal of the Public Works Department. This grant may, if necessary, be increased hereafter, and His Honor hopes that in November next the permission of the Government of India will be accorded to the expenditure of the 12 lakhs, disallowed by that Government in letter from the Department of Finance and Commerce, No. 779, dated the 27th May 1880.

No. 2549½, dated Darjeeling, the 9th November 1880. **CXXV.**

From—COLMAN MACAULAY, Esq., Offg. Secretary to the Govt. of Bengal,

To—The Secy. to the Govt. of India, Department of Finance and Commerce.

Asking for sanction to spend from Provincial Balances 7 lakhs in place of the 12 lakhs asked for before.

WITH reference to paragraphs 8 and 9 of your letter No. 1574, dated 5th July, I am directed by the Lieutenant-Governor to request that the Government of India may now be pleased to permit the Lieutenant-Governor to increase the Ordinary Public Works grant for the current year by Rs. 7,00,000 from the provincial balances. As the year is so far advanced, it is doubtful if the Public Works Department would be able to utilize more than this sum in addition to the funds already at their disposal; but the Lieutenant-Governor trusts that, to this extent, the proceedings of 12th March 1880 may be confirmed.

CXXVI.

Telegram, dated the 25th November 1880.

From—Calcutta,	To—Simla,
From—Secy. Govt of Bengal, Finl. Dept.	To—Secy. Govt. of India, Finl. Dept

Asking for sanction to spend from Provincial Balances the full 2 lakhs

In my letter 2549½ dated 9th November, Lieutenant-Governor asked for sanction to spend from provincial balances seven lakhs, with reference to your 1574, dated 5th July. Public Works Department now say they can spend the full twelve lakhs. So please consider application to be for that amount.

CXXVII.

No. 2694, dated Calcutta, the 25th November 1880.

From—Colman Macaulay, Esq, Offg. Secy. to the Govt of Bengal, Financial Department,

To—The Secy. to the Govt. of India, Finance and Commerce Department.

Asking for sanction to the full extra grant of 12 lakhs for Ordinary Public Works from Provincial Balances

In continuation of my No. 2549½, dated 9th instant, and with reference to my telegram of this date, I am directed to say that, on reconsideration, the Lieutenant-Governor would ask that the whole of the extra grant of 12 lakhs, made for ordinary Public Works in the Resolution of 12th March last, may now be allowed to proceed. The Public Works Department have reported that large sums are required, not only for the Sonapore-Mugra line, the Jajootee drainage scheme, and the Kownia tramway, but for ordinary repairs and other works for which insufficient provision was made in the budget of the current year. All Departments have been so starved of late in order that the Lieutenant-Governor might be able to meet the wishes of the Government of India, that much ground has to be made up.

CXXVIII.

Telegram, No. 3892, dated Simla, the 27th November 1880.

From—Simla,	To—Calcutta,
From—The Govt. of India, Finance and Commerce Department.	To—The Government of Bengal, Financial Department.

Sanctioning the extra grant of 12 lakhs.

Your telegram dated 25th November. Bengal Provincial Public Works grant for the current year may be increased by 12 lakhs.